Europe's airlines
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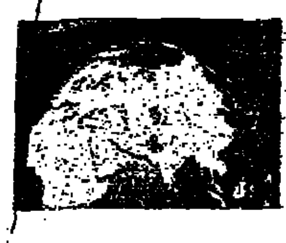

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How M&S sells to the world
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Running ahead
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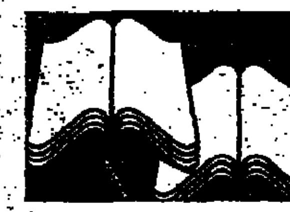

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FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY NOVEMBER 10 1994 — D8523A

AT&T forms $1bn Mexican telecoms joint venture

AT&T, the US telecommunications group, is to form a $1bn joint venture with Grupo Alfa, a large Mexican industrial conglomerate, to provide telecommunications services in Mexico. Alfa will hold 51 per cent of the venture and AT&T 49 per cent. The jointly-owned company is expected to apply for a licence to offer long-distance telephone services in Mexico, a market which will be opened up to competition from January 1997. Page 20

US operations lift News Corp: News Corporation, Rupert Murdoch's international media group, reported a 15 per cent rise in first-quarter net profits to A$301m (US$232m) following strong results from the company's US film and television operations. Page 23

Sutherland may take caretaker trade role

With the contest for the top job at the future World Trade Organisation deadlocked, Peter Sutherland (left), director-general of the General Agreement on Tariffs and Trade, is believed to be ready to stay on in a caretaker role. Mr Sutherland said last April he would not be a candidate for director-general of the WTO, which is due to begin work on January 1. Page 18

Hanoi expects $2bn in foreign aid: Vietnam is likely to receive pledges of some $2bn (£1.2bn) in foreign aid at a donors' meeting in Paris next week and wants about $10bn by the end of the decade to fund its economic reform programme. Page 7

Toyota plans second Canadian plant: Japanese carmaker Toyota is to build a second assembly plant in Canada to double production capacity in the country to 205,000 cars a year by the late 1990s. Page 8

Jakarta plans privatisation drive: Indonesia plans a privatisation drive as part of its 1995-96 budget, with international equity offerings and flotations on the Jakarta stock exchange. Page 7

SA Breweries 21% ahead: South African Breweries, the country's largest industrial company, recorded a 21 per cent rise in attributable profit to R342m ($97.8m) for the six months to September, helped by an improvement in South African consumer confidence. Page 23

EU signs $124m Palestinian aid deal: The European Union signed an agreement with Yassir Arafat, chairman of the Palestinian self-rule authority, for aid worth up to $124m next year. Page 6

Union Pacific tries new tactic: The battle for Santa Fe Pacific, one of the biggest US railway companies, intensified as Union Pacific, the hostile bidder, produced a new offer designed to outmanoeuvre Burlington Northern, the friendly suitor. Page 22

Siemens down 17%: German electronics group Siemens is to pay an unchanged dividend despite a 17 per cent drop in annual net earnings to DM1.65bn ($1.1bn). Page 19; Lex, Page 18

Co-op Bank may be sold: The sale of part or all of the UK-based Co-operative Bank is being considered by its owner, the Co-operative Wholesale Society. Page 20

C&W plans cuts at Mercury: UK telecommunications group Cable & Wireless announced staff and cost cuts at its UK-based Mercury Communications subsidiary while reporting an 11 per cent increase in interim pre-tax profits. Page 19; Lex, Page 18

Swedish PM's pledge if voters back EU: Swedish prime minister Ingvar Carlsson promised an urgent government programme to increase employment if there was a Yes vote in Sunday's referendum on membership of the European Union. Page 18

New private hospital in receivership: Health Care International, the Scottish private hospital opened four months ago to cater for overseas patients, went into receivership when its bankers were unable to agree a rescue package. Page 9

UK students protest at funding cuts: Up to 20,000 students marched through London protesting about grant cuts which they say make it impossible to survive without incurring big debts. Page 9

Protest at livestock shipment: Animal welfare groups protested at Sheerness in Kent at the launch of a UK ferry service carrying live animals to mainland Europe. Page 9

■ STOCK MARKET INDICES		
FT-SE 100:	3,099.6	(+35.8)
Yield	4.11	
FT-SE Eurotrack 100	1,345.14	(+20.85)
FT-SE-A All-Share	1,538.63	(+0.9%)
Nikkei	19,423.88	(-185.14)
New York lunchtime:		
Dow Jones Ind Ave	3,824.01	(-6.73)
S&P Composite	464.84	(-0.81)
■ US LUNCHTIME RATES		
Federal Funds:	4 11/16%	
3-mo Treas Bills: Yld	5.332%	
Long Bond	93 1/8	
Yield	8.102%	
■ LONDON MONEY		
3-mo Interbank	6 1/8%	(6 1/16%)
Liffe long gilt future:	Dec101 19/32	(Dec101)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Dec)	$17.34	(17.24)
■ GOLD		
New York Comex (Dec)	$384.5	(384.8)
London	$384.4	(385.1)

■ STERLING		
New York lunchtime:		
$	1.607	
London:		
$	1.6036	(1.6184)
DM	2.4534	(2.4432)
FFr	8.4335	(8.393)
SFr	2.0542	(2.0407)
Y	156.811	(156.993)
£ Index	80.6	(80.5)
■ DOLLAR		
New York lunchtime:		
DM	1.52625	
FFr	5.2438	
SFr	1.277	
Y	97.65	
London:		
DM	1.53	(1.5097)
FFr	5.2593	(5.186)
SFr	1.281	(1.2609)
Y	97.79	(97.005)
$ Index	61.7	(61.2)
Tokyo close Y 97.24		

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft165	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Peso60	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1 500
France	FFr9.50	Lebanon	US$1.50	Portugal (mland)	Es225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

Doubts over trade and foreign policies ■ Investors expect pro-business Congress

US faces political gridlock as Republicans sweep to victory

By Jurek Martin and George Graham in Washington

The most sweeping Republican triumph in congressional and state governor mid-term elections in nearly 50 years left the US yesterday with the prospect of confrontation and protracted political gridlock.

Magnanimity from the victors and pledges of co-operation from the vanquished were the prevailing sentiments yesterday, but there were doubts about the fate of foreign and trade policies, as well as the purely domestic, over the next two years.

Congressman Newt Gingrich, almost certain to be the next Speaker of the House of Representatives, said he would seek to find areas of accommodation with the Democratic administration – on greater budgetary control, tax credits for middle-income families and welfare reform – before pressing ahead with the more ideological elements in the Republican manifesto most obviously unpalatable to President Bill Clinton.

Mr Clinton, on the receiving end of a drubbing, was due to offer his own postmortem at a press conference. But he called Mr Gingrich yesterday and, according to reports from both sides, offered, and received, pledges not to allow the nation's government to sink into gridlock.

The 52-48 majority in the Senate won by Republicans at the polls even grew by one when Senator Richard Shelby, the conservative Democrat from Alabama, announced he was crossing the political aisle. Flanked by the Republican hierarchy, senators

US mid-term election results

	NEW	OLD
HOUSE		
Democrat	204	256
Republican	230	178
SENATE		
Democrat	47	56
Republican	53	44
GOVERNORS		
Democrat	18	29
Republican	31	20
Independent	1	1

Provisional forecasts based on AP results

Bob Dole and Phil Gramm, he said he was joining "a party of hope for America" and leaving "a party of dependency".

But Mr Dole and Mr Gingrich were generally less inclined to crow even after the results, in which no Republican incumbent was defeated, far exceeded their wildest dreams. It was an election in which public discontent with government in most of its works was manifest.

Mr Leon Panetta, White House chief of staff, said he had spoken to Mr Gingrich on Tuesday night and, trying to hold the Republican's feet to the fire, "he pledged to work with us to try and get the Gatt treaty passed".

The Gatt vote is due later this month by both Houses in a special session of the old Congress.

Mr Panetta conceded "clear disappointment", but denied the results were a vote of no-confidence in the president or his economic policies that had produced so many new jobs. "It's really a vote that places on the Republicans the responsibility to help govern this country with the president," he said.

But the Senate will have to get along without a Republican candidate who would have been difficult to imbue with any spirit of co-operation. Mr Oliver North lost in Virginia to Senator Charles Robb.

In California, Mr Michael Huffington, who spent $25m on his campaign, had still not publicly accepted his two-point defeat by Senator Dianne Feinstein at noon when almost all the votes were counted.

The Republican losses were more than offset by the cull of dozens of Democratic luminaries, from Congressman Dan Rostenkowski in Illinois through to Governor Mario Cuomo in New York to Senator Jim Sasser in Tennessee, all victims of voter resentment and unknown Republicans. The victories of two senators, Edward Kennedy in Massachusetts and Daniel Patrick Moynihan in New York, were scant compensation.

The result leaves the country with a new political face. In the House, with nine contests still undecided, the Republicans, with a provisional net gain of 49, already had acquired an edge of about 227-198.

Election reports, Pages 4, 5; Desperately seeking solace, Page 17; Editorial comment, Page 17.

President Bill Clinton: offered, and received, pledges not to allow the nation's government to sink back into gridlock — Reuter

Dollar rises but stocks fall back after gains

By Patrick Harverson in New York

Republican success in Tuesday's elections sparked a strong rally in the dollar and US and European financial markets yesterday, as investors anticipated that a more pro-business Congress would pursue policies to aid growth and cut government spending.

However, US markets were unable to sustain their early gains and Wall Street retreated amid concerns that conflict between President Bill Clinton and a Republican Congress could undermine investor confidence in the economy and the dollar.

The markets were also troubled by fears of rising US interest rates; most analysts expect the Federal Reserve to raise rates next week to slow economic growth and restrain inflation.

Some analysts believe the poll results have important implications for monetary policy. Mr Richard Hoey, chief economist at the investment fund group Dreyfus, said: "The Fed will now be more free to tighten as fast and as much as it wants. It had been under pressure from Democrats in Congress."

The possibility that the Republican success could lead Mr Alan Greenspan, the Fed chairman, to raise rates further and faster than the markets had expected was behind some of the selling on US markets yesterday.

By 1pm the Dow Jones Industrial Average – which had jumped 38 points in the opening minutes – was down 11.44 at 3,819.30. The dollar, however, remained higher, up almost 2 pfennigs against the D-mark at DM1.525, and up half a yen at Y97.62.

European stock markets greeted the Republican victories with impressive advances, but unlike Wall Street they kept

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German multimedia deal blocked by EC

By Emma Tucker in Brussels and Michael Lindemann in Bonn

The European Commission yesterday blocked a multimedia deal among three of Germany's most powerful companies after deciding it would prevent other competitors from entering the German market for pay television.

Using for only the second time its powers to block joint ventures, the Commission competition authorities argued that the deal was incompatible with the single market.

At stake was a proposed venture between Bertelsmann, the world's second largest media group; the Kirch group, one of Germany's biggest private television companies; and Deutsche Telekom. The companies intended to set up a company – MSG – to provide infrastructure, marketing and booking services for commercial pay-TV.

Some sections of the multimedia industry said the Commission's decision would frustrate the development of multimedia services in Europe.

"A practical entrepreneurial attempt to create a market of the future has been prevented," Kirch said. "The decision means that the creation of a digital communications infrastructure with the required management will not be possible."

In July, the Commission launched an investigation, fearing the venture could create a dominant position in the German pay-TV market.

"In principle a joint venture like MSG is desirable because it is able to implement new technologies such as digital television," said Mr Karel Van Miert, commissioner with special responsibility for competition policy. "But the structural features of MSG would lead to a protection of the market for services as well as for digital pay-TV."

The market for pay-television programmes and services is expected to expand as digital television is introduced. The Commission said the prospects were particularly good in Germany because of the high number of households – 21m – which already receive television by cable or satellite.

Bertelsmann said yesterday the Commission's ruling had, in the short term, closed possibilities for many smaller programme producers to access future television technology. "At the moment the merger partners are the only people in Germany who have the technical and administrative capabilities to run such a business," it said.

Mr Van Miert denied the ruling represented a setback for

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Brussels closes gateway, Page 3

Renault share sale likely to be oversubscribed, says minister

By John Ridding and Andrew Jack in Paris

The public offer for shares in Renault, which closes tonight, is likely to be oversubscribed, Mr Edmond Alphandéry, the French economy minister, said yesterday.

Private investors are being allotted the majority of the shares on offer in the partial privatisation of the motor group and first estimates of private demand had been encouraging despite depressed stock market conditions, Mr Alphandéry said.

However, the retention by the French government of just over 50 per cent of Renault could also limit the number of private applications, he added.

"I am confident about the operation," he said, although he indicated that the level of subscriptions could be less than in previous privatisations. Final figures on applications will be announced on Wednesday.

Previous issues in the government's programme of privatising 21 publicly-owned groups have attracted strong demand from private investors. Elf Aquitaine, the oil group, drew 3m investors when it was privatised earlier this year, and Rhône Poulenc, the chemicals and pharmaceuticals company, drew 2.9m when it was sold at the end of 1993.

Institutional investors have also shown strong demand for the privatisation issues. In the case of Renault, the shares allocated to institutions have been subscribed more than 15 times.

Some bankers said that individual demand for Renault shares was weaker than for previous privatisation issues, but most industry analysts believed the issue would be fully subscribed, partly because of its pricing.

At FFr165 per share, Renault is valued at just under FFr40bn ($7.8bn), lower than the FFr45bn to FFr50bn valuations given by some motor industry analysts. The pricing gives Renault a relatively modest price/earnings ratio of about nine times expected 1995 earnings.

Mr Alphandéry said he was confident the government's privatisation programme would maintain momentum. Including the receipts from Renault, the sale of public sector assets has already netted the government about FFr103bn, he said.

According to Mr Alphandéry, Assurances Générales de France, the insurance company, will be sold as soon as market conditions permit. The sale of the company has been delayed by the sharp fall in its share price, resulting from the impact of higher interest rates on its bond portfolio. Mr Alphandéry has started the process of appointing adviser banks for Seita, the tobacco company, but no date for the sale has been set.

French privatisation has gone more smoothly than public sector asset sales in some other countries, Mr Alphandéry noted, but demand for some of the early issues had been abnormal.

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NEWS: EUROPE

Kinnock revs up in lay-by

The European Union's next transport commissioner is eager to get motoring, write **David Gardner and Lionel Barber in Brussels**

EUROPEAN INTERVIEW

Mr Neil Kinnock is *straining at the* leash. Maybe it is the prospect *of leaving* behind British politics for lusher European pastures, but this week the former leader of the UK Labour party was in ebullient mood as he spoke about his new job as EU commissioner for transport.

Commissioner Kinnock, who starts work in January, likes the transport portfolio. After all, ordinary European citizens can relate more readily to good, cheap, safe trans-frontier travel by air, road, rail or sea, than to the often opaque debate about the future of Europe.

"Transport is something tangible," said Mr Kinnock in an interview, "it can have an application literally at street level."

Over the next five years, he believes "there is a real job for advocacy and advocates" of Europe. His warm, folksy manner will help make Europe more relevant; but ever conscious of his reputation back home as the "Welsh windbag", he knows that "going for the *flamboyant phrase*" will *not be* enough to win credibility.

"Before the headline term is used we need a strategy for its *delivery*," *he says soberly.* "Without that, this [Commission] will always look like a well *appointed rest home for* bureaucrats."

It is too early to pin down *the new commissioner on spe*cific policies. But he is clearly aware of the two toughest challenges in his in-tray: *develop*ment of the trans-European networks (TENS), the multi-*billion Ecu* road, *rail and other* transport projects designed to link Europe's single market; and state aid cases, particularly among some of Europe's cosseted airlines, which threaten to distort that market.

The TENS (like the Channel tunnel which he used to get to Brussels this week) are seen as job-creators in their own right, assuming up to Ecu400bn (£312bn) is spent over the next decade or so. But they are also the key to strengthening EU competitiveness and "shrinking" the continent. Mr Kinnock reminds listeners that in the mid-19th century, "single markets were created by a transport revolution" in Britain, France and Germany. "The next 40 years will see us go *through a similar process*" at continental level, through a public and private partnership "on a scale that has never been seen before".

While acknowledging the concerns of Europe's eco-lobby, *he says* the *Greens must not* be allowed to halt judiciously planned projects which will *help save* "*billions and* billions on wasted time and fuel" on Europe's clogged highways.

On state aid, the *former* Labour leaders seems surprisingly hawkish, even going as *far as to hint that he may* revisit the Commission's recent approval of FF20bn (£2.4bn) in *fresh state aid for* Air France, the beleaguered national carrier.

"*As far as* I'm concerned [Air France] is an ongoing story. No decision could reasonably have been expected to be final, could it?" he says.

The Air France aid is under challenge in the European Court from a British Airways-led coalition. It is only the largest sum in a torrent of government finance to national airlines which Brussels is allowing in exchange for "last chance" restructuring plans.

Mr Kinnock believes a fine judgment has to be made between subsidies which "are *appropriate for the mainte*nance of vital services, or where they are giving an unfair competitive advantage". But he insists: "*Unfair* advantage has got to be taken on."

Mr Kinnock is bound to be more like the UK's senior commissioner, Sir Leon Brittan, than *Mr Bruce Millan*, the former Labour cabinet minister whom he is replacing. Sir Leon has *repeatedly trumpeted his* own and the Union's successes in competition and trade *policy; by contrast, Mr Millan* is almost allergic to publicity.

Yet Mr Millan, a former secretary *of state for Scotland*, is widely credited with running a tight ship and making a success *out of the EU's* regional aid policy.

Asked whether he will be at a disadvantage in Brussels, never having run a ministry in the UK, Mr Kinnock replies: "I would say, modestly, yes." But then, he smiles, "there are not many government departments that equate to the Labour party".

So what are the main qualities a commissioner needs to do a good job? For a moment he hesitates, then reaches for Antonio Gramsci, the Italian Marxist thinker, who spoke of *the need to combine* "optimism of the will, with pessimism of the intellect". More practically, he admits that it also helps to be well connected with his Euro-Socialist confrères, who number 10 on the 21-strong Commission.

Mr Kinnock is clearly delighted to be able to team up with his wife, Glenys, who preceded him into Europe and is already establishing a prominent voice as a newly elected *European parliament member*.

He intends to make his views known across "a fairly broad spectrum", from monetary union, through social policy, to EU expansion and reform – all issues that spark warfare among Britain's governing Conservatives. "There will be occasions," he says quietly, but he does not see himself primarily as a Brussels adjunct to the UK's tortured domestic debate on Europe. Advocacy, yes; but "*the soap-box is not in my bag*gage".

Neil Kinnock: "Transport is something tangible; it can have an application literally at street level."

EUROPEAN NEWS DIGEST

UDF members threaten revolt

Leading members of France's centrist UDF, part of the centre-right governing coalition, warned yesterday they could back a candidate from another party in next year's presidential elections. The statement, by former industry minister Gérard Longuet among others, said they would not be bound to support a candidate from party ranks if it obstructed a single candidate from the coalition. The statement reflects a move by many in the party to support Mr Edouard Balladur, the prime minister and a member of the Gaullist RPR party, rather than Mr Valery Giscard d'Estaing, head of the UDF.

Polls show Mr Balladur ahead of Mr Jacques Chirac, the RPR leader and the only serious contender yet to have announced his candidacy. However, an RPR party congress has been called for next weekend to endorse Mr Chirac's candidacy. *John Ridding, Paris*

Czechs set EU target dates

The Czech Republic is to apply to join the European Union in 1996 and expects to be a member by 1999, Mr Václav Klaus, prime minister, said yesterday. Membership talks are expected to begin after the EU inter-governmental conference in 1996 which is to set the ground rules and timetable for membership for the countries of central and eastern Europe. Mr Klaus said the government would establish a special committee on January 1 to oversee the application. The Czech Republic will join Poland and Hungary as the first post-communist countries to be considered for membership. Hungary and Poland have already applied. *Vincent Boland, Prague*

Bosnian Serbs strike back

The Bosnian Serb assembly yesterday met to declare a state of war amid claims of Serb military gains against Moslem forces in the north-west. The United Nations yesterday confirmed that Bosnian Serbs had re-taken territory round the Bihac pocket, a Moslem enclave designated a UN safe area. Yesterday's meeting comes after Serbs have lost some 800 square kilometres of land in north and south-western parts of the country. Bosnian Serb political and military leaders last week recommended the assembly proclaim a formal state of war. They also declared a general mobilisation. After 31 months of war, it is unclear what new measures Bosnian Serb chiefs would take if the declaration is made. But it would probably increase their already tight control over the self-styled Serb state as it could include rule by decree or martial law.

The Moslem offensive, launched two weeks ago, has raised fears of an all-out war as renewed fighting broke out on several fronts. Sarajevo yesterday suffered its worst day of fighting for several months. Mr Thant Myint-U, UN spokesman, denounced as "disgraceful" the sniper and mortar attacks which killed two teenage girls, a woman and a young boy in the Bosnian capital. In an attempt to salvage a ceasefire which has broadly held since February around Sarajevo, General Sir Michael Rose, head of UN forces in Bosnia, yesterday "urgently" summoned the commanders of the warring sides to the city airport. *Laura Silber, Belgrade*

More Russian cabinet changes

Russia's prolonged cabinet shuffle continued yesterday with the appointment by President Boris Yeltsin of two new deputy prime ministers: Mr Oleg Davydov, the foreign trade minister, and Mr Alexei Bolshakov, an industrialist. Mr Yeltsin said the changes were part of a broad effort to bring "professionals and not politicians" into the government. But Russian observers, perplexed by a week of new appointments and resignations which appear to have favoured reformers and conservatives in *equal measure, are interpreting the changes as part of a* complex power struggle between Mr Yeltsin and Mr Victor Chernomyrdin, his prime minister.

By replacing Mr Alexander Shokhin as deputy prime minister, Mr Davydov – who upset markets over the summer with an impromptu demand for debt forgiveness – will assume responsibility for all of Russia's foreign economic negotiations. Mr Bolshakov is to be responsible for relations between Russia and other members of the Commonwealth of Independent States. He is a favourite of the conservative parliament and is expected to strengthen the "red barons", the former Soviet *factory directors, against the younger, academic market* reformers in the cabinet. *Chrystia Freeland, Moscow*

German health insurance call

The German government yesterday called on statutory health insurance bodies to cut contributions paid by workers and employers by January 1995, prompting a sharp reaction from the federation of health insurance funds (AOK). A government statement said contributions – averaging around 13 per cent of salary, divided equally between workers and employers – should be lowered because the new state scheme of care for the aged would relieve the insurance funds of the need to support those needing special care after next April. However, the AOK said contributions had been reduced last year and more than DM2bn ($1.3bn) passed on to individuals and employers. The AOK said it had no financial reserves which would justify cutting contributions, but would consider cutting them again in 1995. *Andrew Fisher, Frankfurt*

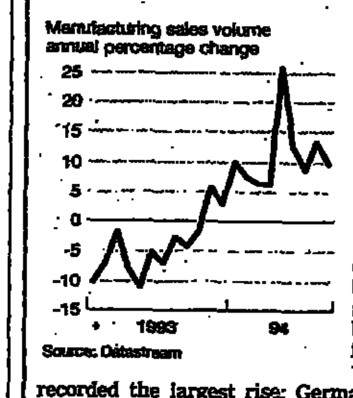
Two left in Spanish phone race

Last minute withdrawals in the contest to enter the Spanish mobile telephone market have narrowed the field to two consortia, which will deliver their bids on Monday. The licence, to be awarded before the end of the year, is the first significant step in a deregulation process that, over the next three years, will introduce cable television and end Telefónica's monopoly as a national basic telephony operator.

The latest defections include Repsol and Gas Natural, the two leading Spanish energy companies, and the US operators BellSouth and GTE. A rapid realignment leaves two consortia. One has Air Touch of the US and BT of the UK as its technological partners and is backed by Banco Santander and Banco Central Hispano as principal shareholders; the other groups the UK's Racal Vodafone and Germany's Veba with Banco Bilbao Vizcaya and retail chain Corte Inglés and media group Prisa among other partners. *Tom Burns, Madrid*

ECONOMIC WATCH

Pick-up in Danish industry



The volume of deliveries by Danish manufacturing industry increased by about 10 per cent in the third quarter from the same period last year, according to official statistics. Third quarter export deliveries (in current prices) were up by 10 per cent and domestic deliveries by 9 per cent, while new orders were up by 15 per cent. Producer prices increased by 1 per cent. *Hilary Barnes, Copenhagen*

■ The European Union's gross domestic product rose by a real 0.9 per cent from the first to the second quarter of 1994. Italy, at 1.4 per cent, recorded the largest rise; Germany's was the smallest at 0.5 per cent.

■ Producer prices in Germany were unchanged in September from the previous month and were 0.8 per cent higher than a year earlier.

■ France's current account showed a seasonally adjusted deficit of FFr291m (£34.6m) in August after a FFr7.65bn (£911m) surplus in July.

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NEWS: EUROPE

Technology may be running streets ahead but Germany's MSG venture finds a dead-end

Brussels closes off a multimedia gateway

By Emma Tucker in Brussels

A tough application of European competition law led yesterday to the blocking of a pay-television joint venture between two German media companies, Bertelsmann and the Kirch group, and the state telephone monopoly – as the Brussels Commission moved to to prevent what it saw as a potential distortion of three markets.

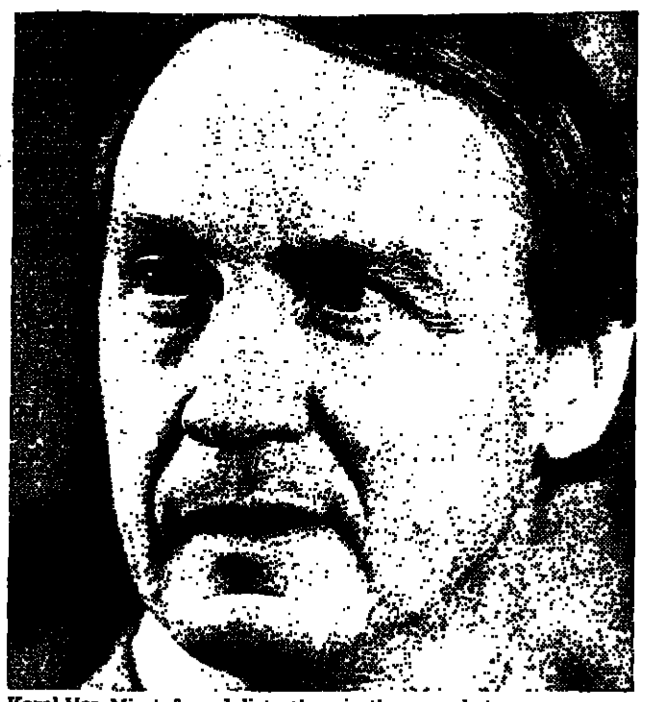
But if the decision looked good for competition, it raised questions about the development of multimedia in Europe, and whether the Commission was trying to control an essentially uncontrollable and speedily evolving industry.

For the Commission, the decision was clear-cut. "If you have big players dominating the gateway to a market, then you have to intervene," said a Commission official yesterday. "We have to ensure that no one shuts off the potential for new players coming in."

Mr Karel Van Miert, the competition commissioner, said Brussels blocked the deal because it considered, after discussions with more than 100 companies and industry bodies, that the proposed concentration was likely to create or reinforce a dominant position in three separate markets. First, Bertelsmann and Kirch would dominate the market for pay-television services, distinct from traditional television, as it is mainly financed by subscribers. The market is a potential pot of gold since from next year, digitalisation is expected to lead to an explosion in the number of pay-TV programmes.

Second, MSG – as the proposed merger was known – would have dominated the market for the technological services associated with pay-TV operators, limiting if not preventing the entry of competitors. These services include the provision of decoders, leased to subscribers to unscramble those services for which they have paid. They also include "access control systems" which enable operators to restrict pay-TV channel reception to subscribers.

Third, the Commission argued that the merger would have allowed Deutsche Bundespost Telekom, the state telephone monopoly, to reinforce its dominant position in the market for cable network services. Mr Rolf-Dieter Leister, chairman of Deutsche Telekom's supervisory board, reacted by saying he considered the decision a blow for the German pay-television market. "We want to get a market moving which hardly exists in Germany and Europe, otherwise this technology will be introduced in Germany much later."



Karel Van Miert: feared distortions in three markets

Industry analysts agreed that outdated competition and ownership rules, as applied by national governments and the Commission, could hinder the development of an industry where technology is running streets ahead of government thinking. "The message to industry from this decision is that here is yet another thing which is going to delay the generation of revenue from the digital superhighway," said Mr John Scaife, media consultant at Charon Capital in London.

The key to development, argues Mr Scaife, is the combination of delivery networks together with ownership of programmes and films.

Such a combination would allow companies to package services to customers, offering them, for example, both telephone and television services to justify the price of subscription.

Yesterday, the Commission was adamant. "Telekom owns most of the cable network in Germany and controls its development," it said. "It also controls the return channels necessary for interactive services, and has direct access to more than 4m cabled households; Bertelsmann and Kirch already have Premiere and own incomparable programme resources; moreover, Bertelsmann is a major operator of book clubs."

"No competitor has such advantages nor could reasonably enter the MSG market," it concluded.

Last-minute concessions offered by the merging parties were not accepted by the Commission. These included development of a system whereby competitors could have used the decoders, and an undertaking not to discriminate against other pay-TV operators when it came to renting contracts for decoders, and use of commercial information.

"These undertakings are in fact a mere declaration of intent not to abuse a dominant position on the market for administrative and technical services to the detriment of competitors," said the Commission.

Lastly, MSG undertook to develop the digital cable network to ensure that there was no shortage of transmission capacity.

This too was rejected by the Commission, as too difficult to check and already linked to the regulatory obligations imposed on Telekom.

With the development of digital TV technology set to transform television services over the next few years, the Commission is likely to have to consider other complicated multimedia cases. But as the technology changes and evolves, consideration may need to be given on how best to apply competition rules.

Battle joined for WEU post

Bruce Clark on differences within Europe's defence club

The transformation of the nine-nation Western European Union into a full blooded defence club will get under way today with an ill tempered contest for its top job.

Whoever wins the race to become WEU secretary-general will have to reconcile differences between Britain and many of its continental partners over the route and pace of Europe's path towards greater self-sufficiency in defence.

The winner will also be struggling to settle another, even tougher argument – between the WEU, including Britain, on the one hand and the US on the other – over the terms on which the US will "lend" military hardware to European defence missions.

Having failed to reach consensus on who will be the next secretary-general, ambassadors of the nine member states will be voting in Brussels on Italian, Portuguese and Spanish candidates. If there is deadlock, the Dutch incumbent, Mr Willem van Eekelen, could remain in office.

The job seems certain to be a substantial one, because the principle of reviving the WEU as the European pillar of Nato, and the defence arm of the European Union, is no longer questioned by any of its members.

The 40-year-old WEU – which groups all EU members except Denmark and Ireland, and will soon incorporate Greece – binds its members to defend one another in even stronger terms than the founding treaty of Nato.

But in practice, Nato has largely overshadowed the European club, at least until last January when the US told its allies to take more responsibility for their own defence.

The candidates for the WEU job are two diplomats – Mr Giovanni Jannuzzi of Italy and Mr Jose Cutilheiro of Portugal – and Mr Enrique Baron Crespo, a Spanish Socialist politician.

If today's vote yields a clear result, the winner will be endorsed at next week's meeting in the Netherlands of WEU foreign and defence ministers, which will also hear calls for rapid progress towards a common European defence policy.

Britain, which used to argue that a strengthened WEU would alienate the US, is now stressing that it fully supports the idea of giving the European body some extra punch.

In practice, that would mean that certain defence tasks – in which the Europeans wanted direct involvement but the US did not – would be shouldered by the WEU, which would borrow US military hardware from Nato as necessary.

However, the US wants to retain considerable say in any missions for which it is providing military assets, and ideally the right to pull its equipment out if a more pressing need arises elsewhere.

The French – and, as of recently, the British – argue that the new arrangement will work only if the Europeans can count on being able to borrow Nato's military hardware whenever it is required.

"There would have to be a presumption, at least, that Nato assets would be available," said a UK diplomat.

Despite moving closer to France on some issues, Britain is putting the brakes on proposals to issue a toughly worded statement on a common European defence identity in the near future.

It says this would pre-empt preparations for the 1996 conference on the future of the European Union.

London is also talking down the idea of an early 24-nation summit grouping the WEU's full members and nations with associate or observer status.

In today's vote, Mr Cutilheiro expects the backing of Britain and probably the Netherlands, while Mr Jannuzzi enjoys French support and is hoping that the Germans – waverers until the last minute – will rally to his cause. UK diplomats have hinted that they would prefer Mr Jannuzzi to Mr Baron.

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$1m to give away – in cyber-bucks

By Alice Rawsthorn

Wanted: 10,000 cyber-junkies to participate in an experiment to test a new electronic payment system specially designed for use on the Internet. Each volunteer is required to spend $100 in cyber-bucks during the experiment.

DigiCash, an Amsterdam-based company that specialises in developing new electronic cash payment systems, has invented a form of digital money with which people can pay for products or services bought on the Internet, the international system of computer networks.

Mr David Chaum, a former academic who taught at University of California and New York University before becoming managing director of DigiCash, said the digital payment system – dubbed E-Cash – had been devised for use by conventional banks as an alternative form of payment on the Internet that protects the privacy of the user.

DigiCash has for the past week been operating E-Cash on an experimental basis. A number of commercial companies, including Encyclopedia Britannica and Wired, the technology magazine, are participating in the trial by allowing the DigiCash volunteers to pay for their products in apocryphal 'cyber-bucks' using the E-Cash system.

During the trial each volunteer can withdraw $100 from the DigiCash bank in digital coins, each of which is in the form of a numerical code

During the trial DigiCash is giving away a total of $1m in cyber-bucks to up to 10,000 volunteers, each of whom will be allowed to spend $100. Each participant can withdraw their $100 from the DigiCash 'bank' in 'digital coins', each of which is in the form of a numerical code.

If the volunteers want to access an article from Wired on the Internet, they pay for it with digital coins. Wired then verifies that the payment is valid by checking the numerical code of each 'coin' with the DigiCash bank through the Internet. If the bank approves, the purchase goes ahead.

DigiCash hopes that commercial banks will offer E-Cash as an alternative to their standard payment systems. Mr Chaum said he hoped soon to conclude negotiations with a UK bank which is interested in introducing E-Cash. A conventional bank would operate the system in the same way as the DigiCash bank in the trial.

Commercial transactions on the Internet are currently paid for with bank debit or credit cards. The main advantage of the E-Cash format to users is that it enables them to conduct their Internet transactions in privacy.

The numerical code on each digital coin is calculated according to a mathematical formula devised by DigiCash. This ensures that the bank sees a scrambled version of the user's original code and therefore, although it validates each 'coin', it does not monitor individual transactions.

So far the E-Cash trial is going very well, according to DigiCash. After only one week on-line it has signed up 1,000 volunteers and new recruits are flooding in at the rate of 80 or 90 a day.

NEWS: US MID-TERM ELECTIONS

Losers and winners in polls which dealt a severe blow to Clinton and the Democrats

Doleful Oliver North (defeated in Virginia); Jeb Bush comforted (apparent loser in Florida); jubilant Michael Patrick Flanagan (victor over Dan Rostenkowski in Chicago); dancing Teddy Kennedy (survivor in Massachusetts); and Tom Foley (threatened in Washington)

A seismic takeover for the Republicans

By George Graham in Washington

Even if the Republican party had fallen short of complete control of the *Senate and the House of Representatives*, the congressional power structure was already well on its way to a substantial shake-up because of the retirement and defeat of a number of party leaders and powerful committee chairmen.

But with outright majorities in both chambers, the Republicans will make a seismic takeover of the committee apparatus.

Most Republican candidates for House seats signed the "Contract with America" prepared under the leadership of Congressman Newt Gingrich, the architect of the Republican victory, who will almost certainly take *over as Speaker of the House.*

The Contract pledges to bring to the House floor in the first 100 days of the new Congress 10 substantial bills, including measures to cut income and capital gains taxes, increase defence spending, provide for a balanced budget amendment to the constitution, toughen penalties for criminals, cut back on welfare payments and set term limits for members of Congress.

But many House candidates have been running away from the details of the Contract – and even its chief draftsmen say they promise only to bring these measures to a vote, not to pass them.

Republican Senators have also been sceptical about the proposals, which do not include specific spending cuts to meet a balanced budget requirement, *and the Republican leadership* structure in the Senate is likely to be much more moderate, particularly on economic issues.

Senator Bob Dole, the Republican leader, will be flanked by Senator Phil Gramm, a right winger with unconcealed presidential ambitions who chairs the Republicans' Senate campaign committee.

Other right wingers will take over some important posts, notably Senator Jesse Helms, the extreme conservative from North Carolina at the head of the foreign relations committee, and Senator Alphonse D'Amato, the Republicans' chief attack dog on *the Whitewater issue, as chairman of* the banking committee.

But major economic policy positions in the Senate will be held by some of the party's leading moderates.

Senator Robert Packwood, although politically weakened by charges of sexual harassment which are still under investigation, is expected to chair the Senate finance committee, with jurisdiction over all tax-related matters. However, Senator Gramm has hinted that he might seek to elbow Mr Packwood aside. Mr Packwood's fellow Oregonian, Senator Mark Hatfield, will take over the appropriations committee, which controls government spending.

Moderates will also head the labour committee (Senator Nancy Kassebaum) and the environment and public works committee (Senator John Chafee). Senator Larry Pressler, a stiff-necked South Dakotan with an unpredictable set of beliefs, will take over the commerce committee, where he is likely to be much more of a free trader and much less of a regulator than Senator Ernest Hollings, the current chairman.

Perhaps the determining factor in the direction of the Republican Congress will be the influence that Senator Pete Domenici of New Mexico manages to wield as chairman of the budget committee. A fiscal conservative, almost to the point of obsession, Mr Domenici has been *one of the few* Republicans willing to contemplate unpopular measures such as tax increases and cuts in entitlement programmes such as social security and Medicare in his desire to control the budget deficit.

Mr Domenici is therefore likely to play a central role in curbing the more wayward Republican promises of tax cuts and in tackling the long-term fiscal imbalance that the US faces in the next century if it does not alter the terms of social security and Medicare.

He is aligned with his House Republican colleagues on the need for a *line-item veto but could clash with* them over the supply side premises of the Contract with America's tax cut proposals. Congressman Dick Armey, the chief backer among the House Republicans of a flat income tax rate, says the cuts will cost \$130bn to \$150bn, but says the Republicans will simply change the way the Congressional Budget Office scores tax measures to assume that tax cuts will pay for themselves by stimulating the economy – a logic which failed to balance the budget in the Reagan era.

Mr Armey currently ranks third in the Republican hierarchy, but with the retirement of Congressman Bob Michel, *the current minority leader*, and the elevation of Mr Gingrich to Speaker, he is likely to take the number two post of majority leader, now *held for the Democrats* by Congressman Richard Gephardt.

He will be backed on most tax issues by Congressman Bill Archer, a fellow Texan who will probably become chairman of the House Ways and Means committee, and by Congressman John Kasich, who will take over the budget committee.

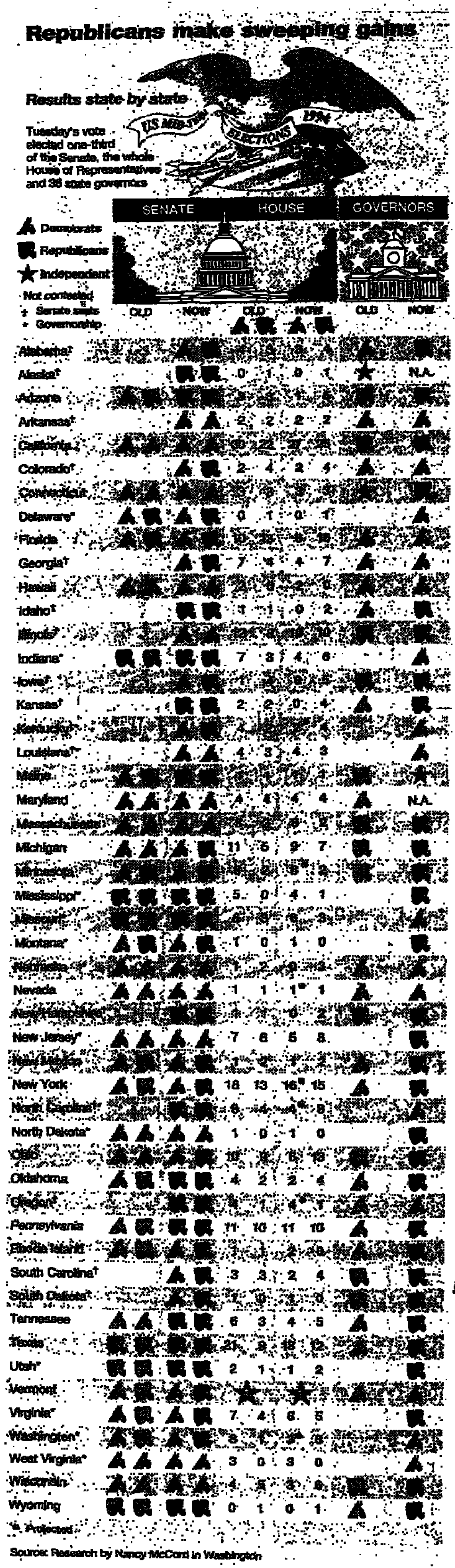
In some other key House committees, however, the Republicans are expected to override the normal seniority rules that have prevailed in the past.

At the appropriations committee, Congressman Joseph McDade is the senior Republican but his indictment *on corruption charges is expected to* block him from the chairmanship. The second ranking Republican, Congressman John Myers of Indiana, may be too moderate for the taste of the new House majority.

Congressman Jim Leach of Iowa, a moderate but another leader of the Whitewater pursuit team, will become chairman of the banking committee, and Congressman Benjamin Gilman of New York, one of the most centrist members remaining in the Republican party, will chair foreign affairs.

But Mr Gingrich is expected to push for a close ally, Congressman David Dreier of California, to head the Rules *committee, which plays a crucial role* in deciding which legislation comes to the floor, and with what amendments, rather than Congressman Gerald Solo*mon, who is now the senior Republi*can member of the committee.

Congressman Tom Bliley of Virginia, and not senior Republican Carlos Moorhead, is also expected to take over the energy and commerce committee, the barony created by the all-powerful Congressman John Dingell. Mr Dingell's loss of the chairmanship could prove one of the most important changes. His claim to jurisdiction over virtually everything has blocked many legislative proposals, and his departure could pave the way for the measures such as repeal of the Glass-Steagall act, which separates investment and commercial banking.



ELECTION DIGEST

Kennedy clan bucks the trend

While many Democrats were buried in Tuesday's landslide, Kennedy clan candidates proved resilient, writes Nancy Dunne. Senator Edward Kennedy, the family's patriarch, was in danger of losing his Senate seat for the first time since 1962 but ultimately won handily against a young, telegenic political neophyte, Mitt Romney, son of a former Michigan governor and presidential candidate, George Romney.

Senator Kennedy was once hailed by President John Kennedy as the best politician in the family. Now aging and overweight, he rallied former aides and old friends to his standard and mortgaged his house to raise funds.

Four members of the younger Kennedy generation also were *in contests. Two ran and won seats in the US House of* Representatives – Joseph Kennedy, son of the slain Robert, in Massachusetts, and Patrick Kennedy, son of Edward, in Rhode Island. Mark Shriver, son of the first Peace Corps director Sargent Shriver and Eunice Kennedy, won a seat in the Maryland House of Delegates. Kathleen Kennedy Townsend, daughter of Robert, is in a race for Maryland lieutenant governor that yesterday was too close to call.

Win and lose for Bush sons?

The younger generation of Bushes, sons of the former president, had a win and an apparent loss.

In Texas, George W Bush, the eldest son, felled Governor Ann Richards, who once ridiculed President Bush for having been "born with a silver foot in his mouth." Although a popular incumbent, Ms Richards proved susceptible to a *Republican tidal wave powered by promises to reduce taxes* and crime. Mr Bush, owner of the Texas Rangers baseball team, won on his first try for office. The attractive, prolific Bush children and grandchildren, played major roles in their father's campaigns.

Another Bush son, Jeb, apparently lost in a very close race against Florida Governor Lawton Chiles. In a long political career, Chiles – a former senator – has never lost a race.

Resurrection for Marion Barry

An amazing political resurrection was achieved by Mr Marion Barry, who regained the Washington DC mayoralty four years after leaving office *to serve a six-month prison sentence on* drug charges. Widely seen among African-Americans as just one of a series of black public officials targeted by a white prosecutors, he drew support from many middle class blacks, who might otherwise have opposed a disgraced public official. His opponent, Ms Carol Schwartz, turned in a surprisingly strong showing for a white Republican, winning about 44 per cent of the vote in a city that is 10-1 registered Democrats.

Health, gambling and false teeth

Around the country, voters cast ballots on dozens of measures over issues ranging from healthcare to gambling and false teeth.

In Oregon, voters were close to allowing doctors to assist in suicides of the terminally ill. In California, voters rejected a taxpayer-funded state healthcare system and a referendum, backed by the tobacco industry, which would reverse local smoking curbs. Limits on the terms officials can serve passed in five states – Alaska, Idaho, Maine, Nebraska and Nevada. A total of 21 states have now approved congressional term limits, but the initiatives are subject to constitutional challenge in the courts.

Term limits vary from state to state. Colorado limited congressmen to three consecutive terms. Nebraska imposed limits of three consecutive House terms or two consecutive Senate terms. Nevada voters would limit senators to two six-year terms and House members to three two-year terms.

Florida voters defeated a proposal to legalise gambling casinos. In Washington state, dental technicians won permission to fit and install false teeth, a right now limited to dentists.

Scramble to get Gatt through

By Nancy Dunne in Washington

Mr Newt Gingrich, the new House Speaker-to-be, has promised to work with the Clinton Administration to pass the Uruguay Round implementing legislation when it comes up for Congressional approval in three weeks, according to a senior White House official.

Mr Leon Panetta, White House chief of staff, said in a CNN interview yesterday Gatt passage, the first test of bi-partisanship in the new order, would "send a very important *signal" which the president* could carry into summits with the Pacific Rim countries next week and Latin American leaders on December 9-10.

However, that signal has yet to be sent directly by Mr Gingrich or Senator Robert Dole, who will become Senate majority leader. Business lobbyists yesterday were scurrying from meeting to meeting planning strategies to secure passage this year. It is the outgoing Democratic-controlled Congress which will vote on the Gatt legislation, but party labels matter little on trade. Populists on both sides of the political divide are opposing the proposed World Trade *Organisation, which the Uru*guay Round creates.

The implementing legislation is being depicted as "a budget buster," riddled with protectionist clauses and "sweetheart deals." At least \$40bn (£24.3bn) of the projected lost tariff revenue has not been offset by new taxes or programme cuts. Senate rules require 60 senators to approve a budget waiver before implementing legislation can go to the floor.

Mr Dole is reported to have said he would like the legislation re-written next year, but that was before the mid-term election. He has since made conciliatory noises about bi-partisan co-operation.

Mr Mark Anderson, trade specialist at the AFL-CIO, the labour umbrella organisation, has little doubt that Mr Dole will in the end co-operate with the president on Gatt. "Dole has a long history on free trade... I don't think he'll turn his back on the Business Roundtable or agribusiness."

Opponents are arguing that "the fired and retired" members who return for the "lame duck" session have not the right to vote on an issue of such economic importance as the Gatt package. They are alert for signs of business pay-offs to congressmen and congressional staff in search of new jobs. Pro-Gatt lobbyists *believe the election has left* members free "to vote their consciences".

Big money still garners the big vote

By George Graham

Money has always talked in US elections, and it spoke as loud as ever this year in the most expensive campaign on record.

With a few notable exceptions, candidates with the most *money to pay for television* advertising, direct mailing and telephone campaigning won their races, and lobbying groups that helped finance them are looking forward to an open door at their Washington offices.

Republicans won all nine Senate seats left open by retirements, and in seven raised more money than their Democratic opponents. In the two exceptions, Minnesota and Oklahoma, the fundraising advantage was not crushing.

Republicans who unseated incumbent Democratic senators in Tennessee and Pennsylvania also outraised their opponents. Mr Rick Santorum, *in Pennsylvania, drew heavily* on the political action committees, or PACs, through which companies and lobbying groups donate to candidates.

PACs have in the past heavily favoured incumbents, regardless of party. But Republican leaders have been twisting arms heavily recently, warning lobbyists they would be frozen out if they continued to give to Democrats.

Big winners include the National Rifle Association, which turned its fury on several old allies who had voted for *President Bill Clinton's* crime bill.

The NRA's most prized trophy would be Congressman *Tom Foley, the Speaker*, who also voted for the crime bill and who was fighting to survive in in Washington state.

Many candidates, however, dipped deep into their own pockets to pay for their campaigns. By the end of October, according to Federal Election Commission returns, Senate candidates had spent more than \$50m (£30.4m) of their own money. Half of that came from Mr Michael Huffington, who took his Texas oil fortune to California to run against Senator Dianne Feinstein. He lost, but the \$25m he spent took him close to uprooting a popular and effective senator, despite his non-existent record *of achievement*, vague *political* views and employment of an illegal alien as his nanny.

Ms Feinstein had to spend \$2.35m of her own but mostly raised money from PACs.

One oddity was Mr Oliver North, controversial former marine who lost his bid to oust Senator Charles Robb in Virginia. Mr North raised more than \$15m, four times as much as Mr Robb.

Southerners have previously said that they would 'rather vote for a yellow dog' than a Republican

South becomes cornerstone of House takeover

By George Graham

The cornerstone of the Republican takeover of the House of Representatives was a sweeping change in the southern US.

Ever since the Civil War, the South has traditionally shunned President Abraham Lincoln's Republican party. Most southerners said they would "rather vote for a yellow dog" than a Republican.

Southern Democrats stood far to *the right of their northern colleagues* in their political views, blending social conservatism with heavy pork barrel spending.

Since the 1960s, when the Democrats became more closely identified with the fight for black civil rights, the Republicans have made inroads in the Deep South and the border *states* such as Kentucky and Missouri.

They started with presidential elections, in which southern states have generally favoured Republican candidates from Senator Barry Goldwater onwards, and continued in statewide elections for governor and senator.

That trend carried on in Tuesday's elections, with Republican candidates taking over as governors in Alabama, Tennessee, Kansas, and with both Tennessee Senate seats moving into *the Republican column. Tennessee's* new governor is the first the state has ever elected who was born north of the Mason-Dixon line, the traditional divide between North and South.

Perhaps as telling, the Republicans were able to hold on to the governorship of South Carolina, though by the *narrowest of margins, even though* their candidate, Mr David Beasley, aroused hostility with radical right-wing positions backed by a Christian evangelical coalition.

One rare success for the Democrats was Governor Zell Miller's successful campaign for re-election in Georgia, defeating the strongest challenge the Republicans have mounted in that state since the Civil War.

But Republicans have in the past found it much more difficult to make headway at the local level, leaving *the Democrats dominant in the House* of Representatives, as well as in state legislatures and county courthouses.

"Used to be, if you wanted to win, you ran in the Democratic primary," says Mr Bernie Castleman, who is the only Republican commissioner elected in his Tennessee county in the last hundred years.

*That began to change in this elec*tion. Helped by the retirement of old Democratic legislators such as Congressman Jamie Whitten of Mississippi, the Republicans gained 11 *House seats in five* deep South states, three more in Oklahoma, two in Texas and one each in Tennessee and Kansas.

The biggest swing came in North Carolina, where the cigarette tax proposed in President Bill Clinton's healthcare reform plan added to the Democrats' problems in tobacco-*growing districts.*

North Carolina also provided perhaps the most striking evidence of a lasting change in the South's party alignment: a Republican takeover of the state house and Senate – the first time this century that they have controlled a state legislature in the South. They also won control of the *Florida Senate.*

Many southern Democrats have voting records in Congress that are closer to the Republicans than to the rest of the Democratic party, and some are expected to follow Senator Richard Shelby of Alabama's party switch yesterday. Congressman Newt Gingrich has warned that the Republicans will *target conservative south*erners who do not switch sides in the 1996 election.

And with the "yellow dog Democrats'" stranglehold broken, new candidates will feel in years to come that they can run as Republicans and have a good chance of winning.

Southern Democrats are now as likely to be relatively *leftwing black* or Hispanic politicians as conservative "boll weevils".

The South's realignment could also move the Democratic party further to the left.

NEWS: US MID-TERM ELECTIONS

Big Apple fails to save political giant

By Richard Waters and Patrick Harverson in New York

New York city turned out in force on Tuesday to vote for Mr Mario Cuomo, the state's governor for the past 12 years and a giant on the national political stage. The trouble for city dwellers was, the rest of the state did not.

The narrow vote which ousted the 62-year-old Mr Cuomo, installing in his place Mr George Pataki, a little-known Republican, revealed a starker division between voters in the city and those in the suburbs and upstate New York than at any of the previous three elections, all of which Mr Cuomo won.

It also threatens to usher in a turbulent period in relations between state and city in New York – and a degree of animosity that could turn the city's current budgetary problems into a bigger headache.

The reasons for Mr Cuomo's defeat are not difficult to identify. "The New York economy has dramatically lagged behind the national recovery," says Mr David Schulman, an economist at Salomon Brothers in Manhattan. "And Cuomo has been around too long."

The second consideration was probably the strongest in bringing to a halt one of the most prominent liberal Democratic political careers in the US.

Mr Cuomo's accomplished oratory and political skills finally wore thin with an electorate which has failed to see

> The question now is whether the victor will take revenge on New York

clear signs of improvement after the last recession.

Mr Cuomo twice came close to seeking the Democratic nomination for president, most recently in 1992. He was also offered, but turned down, a seat on the US Supreme Court last year. Mr Pataki, meanwhile, benefited from not being Mr Cuomo.

A former mayor of the small town of Peekskill, he is less well known than his political godfather, Senator Alfonse D'Amato. The New York Republican senator single-handedly pulled Mr Pataki from obscurity when he threw his weight behind the state senator earlier this year.

Otherwise, the new governor has preached a bland and generally vague mix of policies during his campaign. He has pledged to champion the reintroduction of the death penalty in New York, build more prisons and reduce taxes. As a tax-cutting Roman Catholic from the prosperous Westchester suburbs, Mr Pataki is not the sort of person most likely to appeal to city dwellers.

Adding to the city's anxiety was the decision by its Republican mayor, Mr Rudolph Giuliani, two weeks ago to cross party lines and back Mr Cuomo's campaign. Mr Giuliani and Mr D'Amato are old rivals.

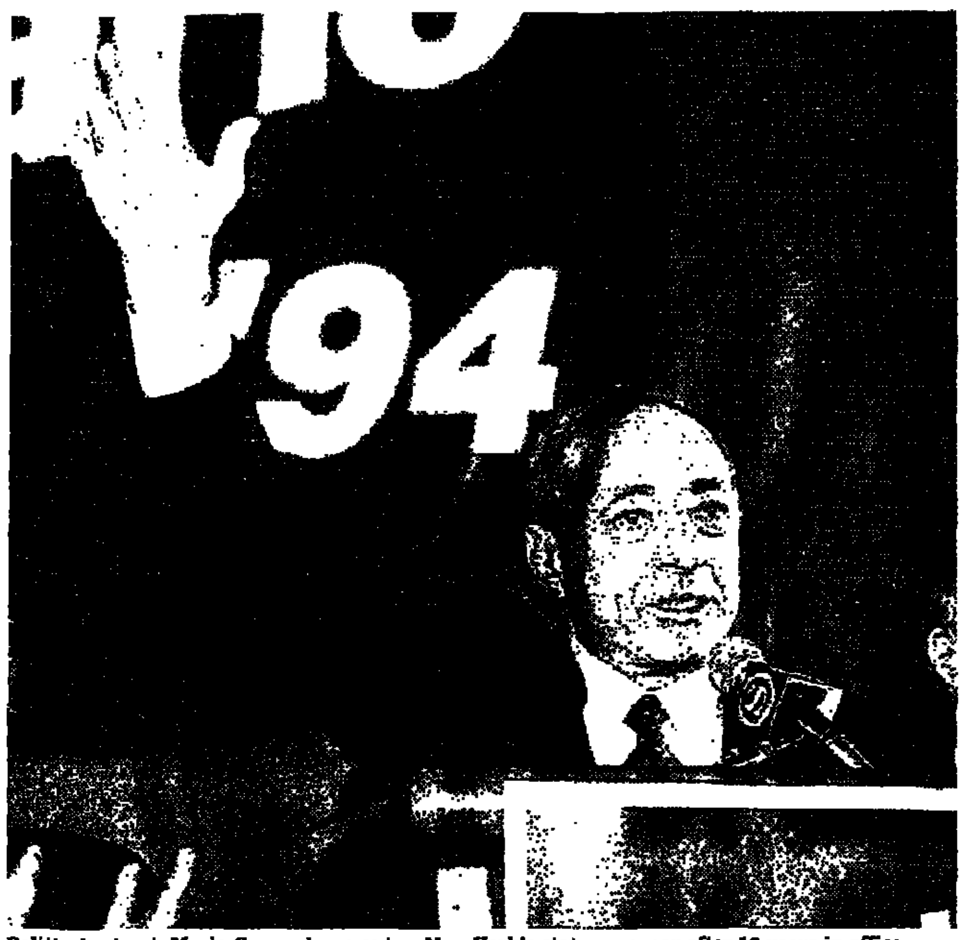
The question now is whether Mr Pataki and his political mentor will take their revenge.

Mr Lewis Lehrman, a New York businessman who ran against Mr Cuomo in an earlier gubernatorial election, says that the city could suffer from Mr Giuliani's endorsement. "New York city has been subsidised by the taxpayers of upstate New York for generations. While that will not entirely be reversed, growth of those subsidies should end."

At the very least, it will make life difficult for Mr Giuliani as he grapples with a budget deficit that is expected to top $1bn (£600m) in each of the next two years.

"It's likely to make the city's budgetary problems more difficult to deal with," says Mr Felix Rohatyn, a senior partner at Lazard Frères.

Around two thirds of the state's budget goes to local governments in the form of aid, roughly half to New York city. If Mr Pataki pushes ahead and cuts the state's top income tax rate, says Mr Rohatyn, it will add $500m a year to the city's deficit. "It could be detrimental to its businesses, and drive more people away from the city," he says.



Political retreat: Mario Cuomo bows out as New York's state governor after 12 years in office Reuter

California goes from ballot box to courtroom

By Jurek Martin in Washington

The action moved from the ballot box to the courtroom yesterday as lawsuits were filed in California to invalidate the electorate's approval of the referendum denying social services to illegal immigrants.

The measure, known as Proposition 187, passed easily, by 59-41 per cent. This was pretty close to the margins it commanded in public opinion polls when it first qualified for the ballot in the summer and much bigger than projected in surveys just before election day.

Strength of support for the Proposition was clearly a contributory factor in the easy re-election of Governor Pete Wilson over Democratic contender Ms Kathleen Brown and to the narrowness of the defeat of Republican Congressman Michael Huffington by Senator Dianne Feinstein.

Both Republican candidates had been vocal advocates in favour and both Democrats against. It also helped the re-election on Tuesday of Mr Dan Lungren, the Republican state attorney general, who only came out in support on Monday.

The proposition's passage also prompted an angry response from the Mexican government yesterday. A foreign ministry statement condemned "all open and undercover forms of discrimination and any xenophobic practises".

Legal challenges to its constitutionality and legality derive from its two principal clauses – the denial of education and non-emergency healthcare to illegal immigrants and the obligation on teachers, doctors and hospitals to report to the federal government any individual suspected of illegal status.

Mr Demetrios Papademetriou, an immigration expert at the Carnegie Endowment in Washington, who has helped prepare one legal challenge, said the suit was "very broad" and based on the contention that the proposition would not accomplish what it claimed to do – force the repatriation of the estimated 1.6m illegal immigrants in California.

He predicted that the state legal processes could be finished "quite quickly", though an ultimate judgment by the US Supreme Court, which would take much longer, is considered likely. Mr Papademetriou described Proposition 187 as "a nasty primal scream".

A Supreme Court ruling in 1982, Plyler v Doe, found that the 14th "equal protection" amendment to the US constitution prohibited a state from denying admission to schools to any child living within its borders. Federal education law also requires that government funds be withdrawn whenever confidential information is revealed without consent of parents.

A problem still to be addressed in the lawsuits is the consequences of forcing out of school the estimated 300,000 sons and daughters of illegal immigrants in California. Opponents of the proposition argued that this was certain to contribute to increased juvenile delinquency.

Governor Wilson has already conceded the inevitability of lawsuits and Mr Lungren last week said he would defend the proposition in court because he was obliged by his office so to do. But he added that he lacked the authority to prosecute teaching and medical professionals accused of not informing on illegal immigrants.

Mr Wilson, along with some other governors from states with high levels of immigration, has already sued Washington to require the federal government to cover state expenditure on the health, welfare and education services provided to not only illegal immigrants but also a new flood of refugees and asylum seekers.

The principal immigrant recipient states, after California, are Florida, Texas, New York, New Jersey, Illinois and Arizona. Only in Florida has political controversy remotely comparable to that in California been evident, a reflection in part of different economic conditions and political traditions.

AMERICAN NEWS DIGEST

Chile inflation at annual 8.3%

Chile will have single digit inflation this year for only the second time in 30 years. Mr Eduardo Aninat, finance minister, said in London yesterday that restrictive economic policies had brought inflation down to an annual 8.3 per cent, from 13.7 per cent when the government took over in March. The government's 1994 target of 10-11 per cent would be undershot, and the 1995 target might have to be revised downwards.

Chile had single digit annual inflation for a single year in 1980 but the exchange rate policy that brought it about was unsustainable. The previous year of single digit inflation was 1961. Growth this year will slow to 4.3 per cent – with consumer expenditures slowing – but should expand to more than 6 per cent next year. Next year's overall budget surplus should be about 1 per cent, compared with 2 per cent this year. Last year's trade deficit of $974m (£593.9m) will become a surplus this year of about $200m, helped by price increases for exports and a 10-12 per cent growth in export volumes. *Stephen Fidler, Latin America Editor*

Brazilian rivals band together

Mr Fernando Henrique Cardoso, Brazil's president-elect, yesterday became actively involved in campaigning for next week's elections for state governors. But instead of backing politicians from his own party, he was giving support to a candidate from the left-wing Workers party (PT), his main opponents in last month's presidential poll. Mr Cardoso's meeting with Mr Vitor Buaiz, the PT's candidate for governor in the southern state of Espirito Santo, was prompted by shared concern about the increasing popularity for the other candidate, Mr Dejair Camata, a far-right protest candidate who has pledged to wipe out crime. Mr Camata is a former police corporal who, has pledged to erase crime in Espirito Santo and, if elected, would give criminals 24 hours to flee the state. According to opinion polls these types of populist promises are winning over the voters. *Angus Foster, São Paulo*

Sotheby's sale raises $26m

Sotheby's sale of Impressionist and modern art in New York on Tuesday night brought in $25.9m and was almost 78 per cent sold by value. All the important works on offer, including one of Modigliani's last portraits, of his mistress Jeanne Hebuterne, found buyers, but there was little interest in the second rate. Seventeen of the 46 lots were unsold. The Modigliani sold for $5.94m, just under its estimate. "Femme dans la nuit", painted in 1945 by Joan Miro, was also slightly below forecast, selling for $3.03m. In 1986 Sotheby's sold the same painting for $2.5m. A drawing by Van Gogh, "Wheat Field with Sheaves", copied from one of his oils, was just on target at $2.09m. There was little interest in Picasso, with only two of six paintings by him finding buyers. *Antony Thorncroft*

Congress endorses Zedillo

Mexico's Congress formally appointed Mr Ernesto Zedillo president-elect yesterday, preparing the way for his assumption of power on December 1. After long and tense negotiations, the centre-right National Action party (PAN) finally abstained and the centre-left Democratic Revolutionary party voted against ratifying the presidential election. PAN said the election had not been fair and just, and thus could not endorse the result. The leftist PRD said the election was invalidated by widespread fraud. *Damian Fraser, Mexico City*

Demirel raises stakes in tense regional game

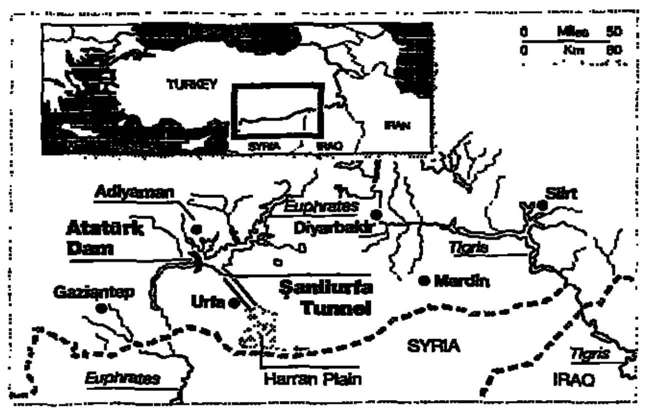
Project means Turkish hand on Syrian and Iraqi water supply, writes John Barham

When Turkey's President Süleyman Demirel inaugurated a key new stage in the country's gigantic hydroelectric and irrigation project yesterday, he also raised the stakes in an increasingly tense game of regional power politics.

Turkey is water-rich, but its Arab neighbours are desperately short of it; strategists warn that the question of water is becoming a more explosive Middle East issue than that of oil.

The South-east Anatolia Project, known by its Turkish acronym Gap, is a complex of 22 dams on the Euphrates and Tigris rivers. As well as developing a remote and neglected corner of Turkey, it also represents a Turkish hand on the water supply of Syria and Iraq.

With yesterday's inauguration of the first stage of the 26.4km Şanliurfa irrigation tunnel, 30 cu m a second of water will begin flowing from the huge Atatürk Dam through a mountain range to the arid Harran Plain to irrigate nearly 500,000 hectares of land.



Gap is a dream come true for Mr Demirel, a hydrological engineer called the "king of dams" and one of the project's prime movers in the 1960s. Gap's huge size (the Atatürk Dam is the world's fifth largest and the Şanliurfa tunnel is the longest of its kind) is a potent affirmation of national pride.

Mr Demirel said at yesterday's ceremony attended by 2,000 people: "We have many more projects [for the region]. We now know that we are able to carry them out alone."

Gap is being designed and built almost entirely by Turkish companies. Turkey is also financing most of the $32bn (£20bn) cost alone, since multilateral lenders refused to support the project. Still, the Gap project is expected to add more than $1bn a year to Turkey's $170bn GDP.

Once it is fully operational early in the next century, Gap will irrigate land twice the area of Belgium. The Harran Plain, site of some of the earliest civilisations, has fertile soils but lacks abundant water.

Critics complain the project will increase the power of feudal landlords, and fear the government is underestimating its environmental costs. Further, water running off the plain into tributaries is likely to become polluted with pesticides, fertilisers and salts and become unsuitable for use further downstream.

The plain will produce cash crops such as cotton and soyabeans. They will be processed in nearby cities, creating jobs and raising incomes for the country's most depressed region. Officials hope it will bring stability to a region wracked by 10 years of fighting between government forces and guerrillas of the separatist Kurdistan Workers' party (PKK).

But for Syria and Iraq, which depend heavily on the Euphrates, Gap is a nightmare. Each cubic metre of water poured on to the Harran Plain represents a roughly equal reduction in the Euphrates' flow.

Before the first dams were completed in the late 1980s, the Euphrates carried 856m cu m of water across the Syrian border every second. In 1987 Turkey promised Syria a stable flow of 500 cu m a second. If worst-case scenarios are borne out, pre-Gap flows further downstream into Iraq could be cut by more than 80 per cent in the next 40 years.

Turkey gave Syria and Iraq no role in Gap's development and has never reached an agreement with them over sharing the waters of the Euphrates and Tigris. International lenders such as the World Bank refuse to back Gap. Thus, Turkey has had to postpone or scale back projects. Building Gap is straining government finances and fuelling inflation of more than 100 per cent.

Syria is not satisfied with Turkey's unilateral 1987 commitment to supply 500 cu m of water a second. It has chosen to press Ankara for a water deal by supporting the PKK. Turkish security forces are spending more than $7bn a year to fight the PKK in the Kurdish south-east.

Mr Dogul Ergil, a political scientist at Ankara University and adviser to the Gap administration, says: "Turkey proposed a philosophy of mutual use, to consume water where there is less evaporation and cultivate land where the soils are most fertile, and share the fruits".

But "our neighbours are dictatorships and it is not in the nature of dictatorships to co-operate."

Optimists hope water may yet bring peace rather than conflict. Already Gap is shifting the region's strategic balance towards Turkey. But like many Turkish officials, Mr Ergil strenuously denies Gap is anything more than a development project: "Turkey has never thought of using it as an instrument to manipulate our southern neighbours."

African peacekeeping force 'has moved nearer'

By David Buchan in Biarritz

President François Mitterrand claimed yesterday the idea of an inter-African peacekeeping force to intervene in future Rwanda-style crises had "advanced" at the Franco-African summit in Biarritz, adding France would ask other European countries to join it in providing help.

But not all the 35 African leaders present favoured or promised to take part in such a force, and most backers of the idea said it depended crucially on non-African assistance.

"This pan-African structure of 'blue helmets' will only be really operational if France and other friendly countries give us their logistic support," President Gnassingbe Eyadema of Togo said.

The French president stoutly defended his often-controversial Africa policy at a summit dominated by discussion of the Rwandan bloodshed and its consequences, but to which Paris had not invited Rwanda's new leaders.

President Mobutu Sese Seko of Zaire was one of those who criticised France for excluding Rwanda, though the Zairean leader's own presence in France, which has denied him a visa for the past few years because of his human rights record at home, stirred a separate controversy.

President Mitterrand vaunted France's record of economic help to Africa before and after last January's devaluation of the French African franc (CFA), and of security assistance, especially French troops' intervention in this summer's Rwandan civil war.

Mr Mitterrand and Prime Minister Edouard Balladur want to avoid repeating France's painful exposure in its Operation Turquoise in Rwanda, at the start of which more than 2,000 French troops were joined only by 230 Senegalese. President Sylvestre Ntibantuganya of Burundi, which faces the same ethnic tensions as Rwanda, made clear he would prefer diplomatic help rather military intervention.

The French president said the summit participants had agreed on "certain general principles" that an African intervention force would be under "collective command, acting under the aegis of the UN or the Organisation of African Unity". But some leaders appeared divided on the issue of who should take part.

President Omar Bongo of Gabon said Rwanda had given urgency to discussion of an African force, but talks should first take place among French-speaking countries. President Blaise Compaore of Burkina Faso said that discussing security in west Africa made no sense without English-speaking Nigeria or Ghana.

French leaders are keen for the widest possible participation in an intervention force to avoid accusations of neo-colonialism. But Vice-President Thabo Mbeki of South Africa, which along with Zimbabwe, Ethiopia and Eritrea was represented at the biennial summit for the first time, indicated his new government would not take part in any force, even though its army is the continent's most powerful.

Mr Mitterrand, who said he hoped several European countries would join France in providing logistic support to an African force, is to meet Mr John Major, UK prime minister, in next week's Franco-British summit in Chartres.

President Bongo said yesterday he had been one of the strongest opponents of the CFA devaluation, but now conceded it was necessary and was benefiting most of the 14 economies concerned. He urged Africa's creditors to forgive more of the continent's debts.

INTERNATIONAL NEWS DIGEST

OECD growth rate edges up

Economic growth in the 25 member countries of the Organisation for Economic Co-operation and Development this year is expected to be slightly higher than the 2.6 per cent increase in gross domestic product forecast in July, according to officials at the organisation. Mr Tsutomo Tanaka, vice-chairman of the OECD's economic policy committee, said OECD economic developments had been generally favourable. He declined to make a new forecast, but said growth was expected to edge up to 2.7 per cent. For 1995 and 1996, Mr Tanaka said growth would be about 3 per cent.

The improved outlook partly reflects a stronger performance in continental Europe. "The recovery has picked up and is now better established," said Mr Tanaka. The Japanese economy is also reviving, albeit slowly, the OECD said. The trend partly reflects maintained easy monetary conditions and a series of short-term fiscal stimuli.

In the US, however, the pace of expansion has slowed, according to the economic policy committee. But it said that this was appropriate given the risk of overheating and the general desire to see a sustained expansion of output and employment. *John Ridding, Paris*

Japanese bonuses increased

Japan's leading electronics companies yesterday said they would increase workers' bonuses for the first time in four years, a good sign for consumer spending. Other sectors are unlikely to follow suit this year because they have done less well than electronics groups. Yet the bonus rise indicates that the traditional link between workers' incomes and corporate profits has survived the rigours of recession. That bodes well for consumption once the nascent profits recovery has had time to spread, economists say.

Trade unions at the top 17 electronics groups said yesterday they had accepted six-monthly bonuses averaging 5.06 months' basic salary for this winter and next summer, up from last year's five months' bonus. *William Dawkins, Tokyo*

Iranian jets raid Kurds in Iraq

Iran said its fighter aircraft had raided guerrilla bases in Iraq yesterday . An Iranian Kurdish rebel party said one of its camps inside a western no-fly zone in Iraqi Kurdistan was pounded by Iranian jets. Four Iranian fighters "severely bombarded" a base of the Democratic Party of Iranian Kurdistan in Koi Sanjaq, 60km from the border, killing a woman resident of the town and wounding three people, the party said in a statement. On Sunday Iran fired at least three Scud missiles at the main base of the Mujahideen Khalq opposition group 80km inside Iraq. *Reuter, Nicosia*

Mitsubishi extortion arrests

Police arrested eight people yesterday for allegedly trying to extort money from Mitsubishi Heavy Industries with threats to expose company secrets. Police did not say how much the eight allegedly demanded from the big Japanese heavy machinery maker, which refused to pay. The eight first approached the company in November 1991, threatening to make public what they said were company documents on bid-rigging, police added. *AP, Tokyo*

Hong Kong to boost car taxes

Hong Kong aims to tax vehicle owners to avert total gridlock, government officials said yesterday. Proposals released by the government for public comment include increasing the tax on new cars to 70 per cent of the car's total value from 40-60 per cent now, and raising annual licence fees by 40 per cent. Access to tunnels could be restricted to odd or even numbered plates on alternate days. Quotas for new private cars and removal of tax benefits on company cars are also being considered. The government proposes eventually to introduce electronic road pricing in which car-owners pay according to how far their cars travel. *Reuter, Hong Kong*

■ South Africa's all-commodities producer price index rose 0.3 per cent in September from August after rising 1.4 per cent in August, Central Statistical Service figures show. The year-on-year rise in September was 10.1 per cent after a 9.9 per cent rise in August. *Reuter, Johannesburg*

■ The Philippine central bank cut its preferential lending rate given to exporters and small-scale industries to 8.304 per cent from 9.4 per cent under its rediscount window facility. *Reuter, Manila*

■ Taiwan's defence ministry proposed a record military budget for the 1995-96 fiscal year of T$277.9bn (US$10.7bn) up from a revised T$252.2bn this fiscal year. *Reuter, Taipei*

■ International aid donors yesterday pledged to give Mongolia $210m in 1995 to help it make the transition to a market economy, Japan's foreign ministry said. *Reuter, Tokyo*

NEWS: INTERNATIONAL

EU signs $124m aid and loans package with Palestinians

By Julian Ozanne in Jerusalem

The European Union yesterday signed an agreement with Palestinians for aid and loans worth up to $124m (£77m) in 1995 and strongly defended its record on assistance to Palestinians.

Mr Juan Prat, European Commission director general, who signed the agreement in Gaza with Mr Yassir Arafat, chairman of the Palestinian self-rule authority, also warned the EU would not fund Palestinian running costs after June next year.

Mr Prat said the EU was doing as much as it could to help Palestinians and rejected criticisms that the EU was slow in disbursing funds. He said the EU had spent $61m this year and made grants worth $1.1bn since 1987 in development assistance and support to Palestinian refugees.

"There is no way anybody can say we are promising and not doing," he said. "The community is doing everything it promised. The delays could be six weeks or one month - little things of cash flow... but what we have offered is happening."

The EU is the biggest single donor to Palestinians and the 1995 aid package is part of the EU's $620m five year programme of grants and loans from the European Investment Bank. Among projects supported by the EU are paying salaries of the 10,800 Palestinian policemen; a $50m project to build 1,200 housing units; construction of a 230 bed hospital; upgrading of the sewage and solid waste systems and funding Palestinian universities and colleges.

Mr Prat said donors faced a dilemma. While they wanted to fund visible projects that immediately demonstrated to Palestinians that peace brought concrete changes in living standards they were being forced to fund salaries and running costs. At least half of EU grants worth $62m in 1995 will go to pay salaries of policemen and university teachers.

"What can we do. They have a budget and they have a deficit and if they cannot fund their budget everything is going to collapse," he said. "I understand people in Gaza are impatient but things can't happen overnight."

Donors are increasingly frustrated about having to fund Palestinian running costs rather than actual projects. Until Israel hands over the West Bank, which has a much larger revenue base that Palestinian controlled Gaza-Jericho, donors are being asked to finance a growing budget deficit.

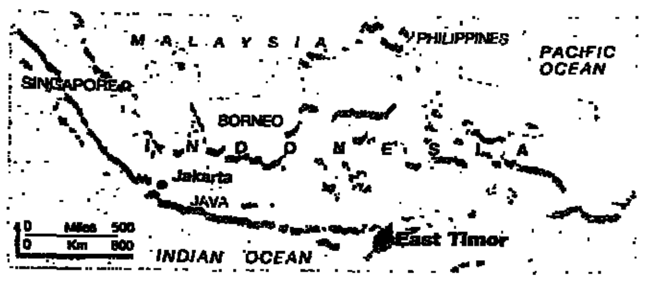
The handover of the West Bank is at least nine months behind schedule.

"We want a balance between tax and revenues by June 1995 and we hope their talks will progress so that everything which has to be transferred to the Palestinians is transferred according to their agreements."

Summit light spills over on to East Timor

Indonesia is braced for world attention on its annexed territory, writes Manuela Saragosa

On All Souls Day at the Santa Cruz cemetery in the East Timor capital of Dili last week, people paid tribute, in the Roman Catholic tradition, to their deceased family and friends. Near the chapel a large group gathered and, led by a local priest, remembered up to 200 independence demonstrators who were massacred there by Indonesian soldiers three years ago.



Further recollections of the massacre, official admission of which was slow to emerge at the time, are the sort of thing the Indonesian government hopes will not take the gloss off its hosting of the Asia Pacific Economic Co-operation summit next week.

President Suharto's government, notoriously sensitive about its annexation of the former Portuguese colony it invaded in 1975, is hoping to win new international respect from the summit, due to be attended by representatives of 17 governments.

However, US President Bill Clinton and others will be under pressure to raise human rights issues at the summit, and at least some attention is bound to be focused on East Timor.

East Timor was abandoned by its colonial administrators in 1975 when the region was plunged into civil war. Indonesia invaded because, the government claims, the civil war in the territory, which borders Indonesian West Timor, "threatened seriously to disrupt the national development and reconstruction efforts in which Indonesia was engaged".

East Timor was declared Indonesia's 27th province in 1976, defying resolutions passed by the United Nations which does not recognise Jakarta's sovereignty over the territory.

Sensitive to foreign criticism, Indonesian officials are keen to point out that the region receives more government development funds, per head, than any other. Under Portuguese rule the region's infrastructure and facilities were negligible. Today there are schools, a university, roads, bridges, health clinics, telecommunications facilities and electricity. Water supply is still a problem.

However, says an East Timorese professional, "we never cried for development. We cried for freedom."

Freedom is not on offer – a referendum is ruled out – but the Indonesian government has taken some steps to find a solution. Mr Ali Alatas, foreign minister, met earlier this year in New York, under United Nations auspices, with the leader-in-exile of the Fretilin independence group, Mr Ramos Horta, and with Mr Abilio Araujo, another former leader-in-exile who was ousted from the exiled movement by opponents last year.

More recently President Suharto announced he would meet Mr Araujo although they would not discuss the status of the territory.

There has also been talk of granting autonomy or special status to East Timor but it is not clear what this means and statements have been non-committal. East Timorese are quick to point out that the north Sumatran province of Aceh and the sultanate of Yogjakarta in central Java are also accorded special status, but that this has not made any difference to the way the regions are governed.

Meanwhile, the military makes clear it has no plans to leave. "If we leave there will be more conflict," says East Timor's military commander, Col Kiki Syahnakri. However, he claims the number of armed guerrillas is dwindling – there are only 188 poorly-equipped Fretilin fighters left in the mountains, he says.

One East Timorese official says rape and murder by the military and police are daily occurrences in many parts of the region. Many of these cases, he says, go unreported and the perpetrators are not brought to trial. "We are really suffering here," he says.

Clashes between mainly Moslem Indonesians, who are given incentives to move to East Timor, and Roman Catholic East Timorese are common. Recently two army officers were found guilty by a military court of desecrating the sacrament in a Catholic church and discharged.

The animosity is made worse by rising unemployment. The East Timor Provincial Capital Investment Co-ordinating Board says there were 16,308 unemployed people in the province in August 1993, but independent sources say the figure is much higher. There are complaints that all the best jobs go to outsiders. East Timorese say that they have little control over their region's economy. The plantation and processing of coffee, the main cash crop, is dominated by the military although a monopoly on production was lifted earlier this year.

Indonesian rule has increased the level of distrust among the population. Plain-clothed intelligence officers are ubiquitous. "I don't even know whether my brother or sister is spying on me," says an East Timorese professional who complains that Indonesian rule has sowed an atmosphere of fear among the population.

In the absence of a referendum, and with a continuing large military presence in East Timor, Indonesia's rule in the region will continue to attract criticism from the international community. The Apec summit next week is likely to be seen by some as an occasion for that criticism to be loudly voiced.

PRIVATISATION COMPANIES LINED UP

Indonesia plans a privatisation drive as part of its 1995-96 budget, with international equity offerings and flotations on the Jakarta stock exchange, Manuela Saragosa reports.

Mr Mar'ie Muhammad, finance minister, said yesterday that Telkom, the domestic telecommunications company, PLN, the electricity company, and Jasa Marga, the toll road operator, were the three state-owned companies most prepared to "go international". He also admitted that Garuda, the state-owned airline which some brokers said was being groomed to go public, was not yet ready to be sold on the international market.

The government also plans to reduce its stake in Semen Gresik, one of the country's largest cement producers, which is already listed in Jakarta, and sell shares in two other state-owned cement producers, the South Sulawesi-based Semen Tonasa and the West Sumatra-based Semen Padang.

Mr Andrew Vaughan, director of research and sales at stockbroker G K Goh Ometraco, said the privatisations "have been on the launch-pad for a long time". Telkom is thought likely to sell at least $500m (£312m) worth of shares in its initial public offering. It is estimated that each of the companies will have to float at least $20m-worth of shares to make the exercise worthwhile. But it is not clear yet whether Jasa Marga will issue bonds overseas rather than selling shares.

The companies are expected to give domestic exchanges a boost by floating some of their equity on the Indonesia market. "Long-term, this is exactly what the Jakarta market needs, to have more large blue-chip companies," said Mr David Oxtoby, research director at Asia Equity Jasereh. "The size of their cash call may have a short-term depressing effect, but it will simply be a case of short-term pain for long-term gain."

Mr Muhammad's planned privatisations follow the flotation of shares in Indosat, Indonesia's telecom satellite enterprise, on the New York Stock Exchange last month which raised at least $800m for the Indonesian government.

Indosat sold 25 per cent of its shares in New York and 10 per cent on the Jakarta and Surabaya stock exchanges. Merrill Lynch was the global underwriter for the offering, while Danareksa Sekuritas underwrote the domestic share sale.

Hanoi set for $2bn pledges in foreign aid

By Victor Mallet in Hanoi

Vietnam is likely to receive pledges of some $2bn (£1.2bn) in foreign aid at a donors' meeting in Paris next week and wants about $10bn by the end of the decade to fund its economic reform programme, Vietnamese government officials and foreign donors say.

Both sides are confident the "consultative group" of 18 countries and 15 international organisations, chaired by the World Bank on Tuesday and Wednesday, will at least match the $1.86bn pledged at the first such meeting last year. Japan is again expected to be the biggest bilateral donor.

Donors are pleased by Vietnam's performance as it moves from a centrally planned to a market economy with annual growth rates in excess of 8 per cent, but they are also concerned by delays in implementation of aid projects. The UN says that only an estimated $300m in aid has been disbursed this year.

"The most important issue will be how to use ODA [official development assistance] in Vietnam, not how to attract ODA," said Mr Do Duc Dinh, a Vietnamese economist.

One reason for slow disbursement is that much of the aid is directed at big infrastructure projects involving roads and ports, for example, which take many months to implement. Some delays are caused by a cumbersome bureaucracy slow to adopt free market policies.

"With the actual disbursements of ODA, things are not flowing as freely as we would have hoped," said Mr Roy Morey, representative in Vietnam for the UN Development Programme. "The institutional apparatus is the same as the country has had for 25 years, and there's a kind of lag between policy formulation and policy implementation."

In its latest report on Vietnam, the World Bank urges Hanoi to scrap central control of decision making (on the grounds that this causes bottlenecks and encourages corruption in an increasingly complex economy), by decentralising some tax and investment decisions to local authorities.

The World Bank admits this suggestion is controversial (local Communist party authorities in some areas are accused of rampant corruption) but believes it would allow the government to take on its proper role of establishing an economic framework within which individuals and companies could work.

"Vietnam is moving from relatively easy price liberalisation to more difficult structural reforms, such as restructuring state-owned banks, privatising public companies, and streamlining the trade regime," the World Bank report says.

Apec: future global powerhouse or mere talking shop?

Guy de Jonquières and Peter Montagnon on the choice facing Asia Pacific nations

When the Asia-Pacific Economic Co-operation forum held its first annual summit in Seattle a year ago, a curious European Commission asked to send observers. The request was rejected. "The reason was simple," says one Asian diplomat. "We didn't want them to discover there was nothing to discover."

As ministers of Apec's 17 governments meet in Jakarta today to prepare for next Tuesday's summit, the stakes look *much higher. The summit* poses a stiff test of their political will to give substance to a grouping which has so far been long on visionary statements *but short on concrete decisions.*

Optimists hope the five-year-old Apec will set out to become a global economic powerhouse by agreeing a *long-term* timetable for freeing all trade and investment flows in a region which extends from Labrador to Singapore.

Apec's members include some of the world's fastest-growing economies and account for roughly half its total gross domestic product and international trade. But there are wide disparities between individual countries' levels of economic development and their views on Apec's role. Bilateral relations between some of them are acutely strained – most notably by US trade conflicts with *China and Japan and* by Washington's criticisms of Indonesia's human rights record.

If these tensions bubble up into acrimonious disputes in *Jakarta, they risk* scuppering the search for harmony and casting shadows over Apec's future.

The starting point for the talks is an ambitious blueprint drafted by an eminent persons' group, chaired by Dr Fred Bergsten, head of the Washington-based Institute for International Economics.

It proposes that all trade barriers in Apec be abolished by 2020, and by 2010 in the case of industrialised countries. Other blocs, such as the European Union, would be invited to make reciprocal concessions in *a move to force* the pace of multilateral trade liberalisation.

The former, long lukewarm about Apec, has threatened to block progress unless Washington softens its line on Beijing's application to join the new World Trade Organisation in January. Ms Wu Yi, China's trade minister, is expected to step up the pressure when she meets Mr Mickey Kantor, President Clinton's chief trade negotiator, in Jakarta on Saturday.

However, Beijing may be over-estimating Apec's importance as a bargaining chip with Washington. Much has changed since President Bill Clinton talked up Apec's future

The plan's most enthusiastic supporters are Australia, which is eager to stress its Asian credentials, and Indonesia. President Suharto views the summit as a chance to set his seal on history and wants an even earlier deadline for Apec free trade.

At the other extreme, Malaysia remains sceptical of the value of Apec and continues to press for a rival East Asian Economic Caucus to counter western economic domination. Still, Dr Mahathir Mohamad, Malaysia's prime minister, who *boycotted the Seattle meeting,* plans to attend this summit, and President Suharto may yet persuade him to tone down his opposition.

Much the biggest uncertainties concern China and the US.

at last year's summit, in the belief that a united stand by Pacific Rim countries would *induce the EU to give ground* in the stalled Uruguay Round trade talks.

Today, with prospects for congressional ratification of the Round on a knife edge, the administration's priorities are reversed. It seems decidedly wary of any trade initiatives which could fuel domestic opposition to the Round.

President Clinton's position has been further undermined by the Democrats' loss of con*trol of both houses of Congress* in Tuesday's mid-term elections.

He may therefore be hard-pressed to offer any immediate *concessions on China's WTO* entry, or to back any Apec decision which committed the US to lowering its trade barriers substantially.

"Mr Clinton wants a big public relations success in Jakarta which ties his hands as little as possible," says a US trade policy expert.

Though Apec leaders may agree a long-term commitment to liberalisation, he thinks they may endorse only uncontroversial proposals in areas such as customs procedures, standards and voluntary investment principles.

Mr Kim Chul-su, South Korea's trade minister, also doubts the summit will set a binding timetable for liberalisation and says such an agreement may take at least a further year to achieve.

Such an anodyne outcome need not constitute complete failure in the eyes of Apec's Asian members. Many see the grouping less as a forum for sweeping policy decisions than as a channel for informal dialogue, particularly with the *US, their largest final* market.

Most would resist any attempt to turn Apec into a formal institution. They fear such a step could threaten the future primacy of the WTO and encourage the US to use Apec as a club to force them into making trade concessions.

Many Asian countries also want to push ahead with efforts to free trade within Asia before embarking on any programme involving Washington.

Some observers believe little progress in Apec is likely until the recent decision by the six-member Association of South *East Asian Nations* to try to revive plans for an Asian free trade area has borne fruit.

Though the plans remain tentative and face big hurdles, Mr Chuan Leekpai, Thailand's prime minister, says Apec is "a looser form of grouping with less depth" than Asean. In his view, Apec's main contribution to trade liberalisation will be to encourage efforts under way *in other forums, rather* than to launch substantive programmes of its own.

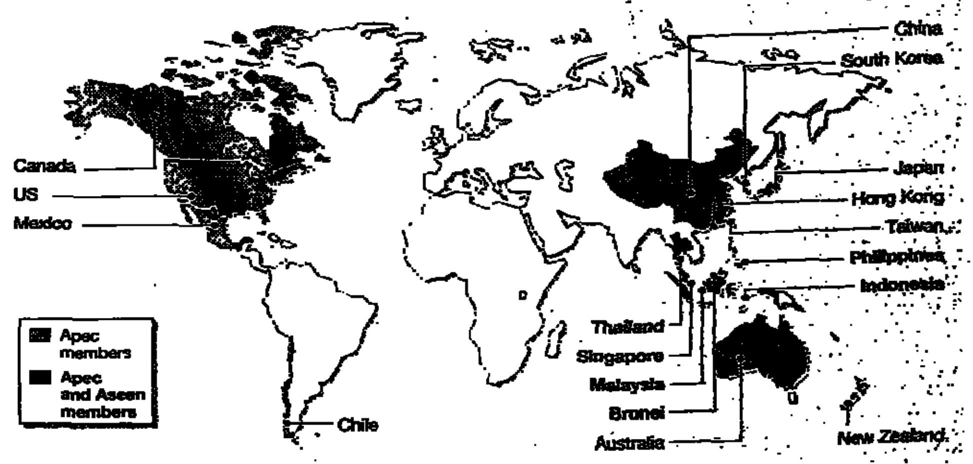
Ambivalence also runs deep in Japan. Though the government appears ready to back a summit declaration endorsing broad free-trade principles, Tokyo wants to avoid any decisions which could force it to choose between its allegiances to Asia and to the US.

Some Apec members have questioned the value of any declaration which does not bind governments to at least *some concrete action. But even* if the summit endorsed a long-term liberalisation programme, implementation would still require complex negotiations.

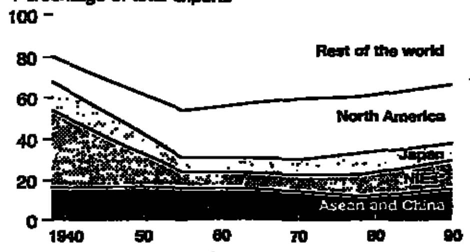
These would have to overcome fundamental conceptual differences between Apec's members, which even the carefully-drafted Bergsten report fails to hide.

"The report is riddled with contradictions," says Dr Young Soogil, a leading South Korean trade economist.

Apec and world trade



East Asian trade by partner
Percentage of total exports



* Newly Industrialised Economies

Intraregional trade
Percentage of total world trade

Region	1938	56	69	79	89	90
East Asia	10.0	2.2	2.9	4.2	6.4	7.9
North America	3.0	6.7	6.9	4.2	6.4	[illegible]
Pacific region	18.0	13.5	16.9	15.6	24.8	24.6
Western Europe	18.2	19.6	28.7	29.3	27.1	33.8

Sources: World Bank staff estimates, Petri

Gatt chief ready for caretaker WTO role

By Frances Williams in Geneva

With the contest for the top job at the future World Trade Organisation effectively deadlocked, Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, is believed to be ready *to stay on* in a caretaker role until his term ends next July.

Mr Sutherland announced last April he would not be a candidate for director-general of the WTO, which is supposed to begin work on January 1.

But it now looks increasingly unlikely that a decision on his successor will be made by early December, when Gatt members are due to endorse the appointment, making it virtually impossible for the new director-general to take up the WTO reins in January.

Though no formal proposal to stay on has yet been made to Mr Sutherland, it is under *active* discussion by trade diplomats anxious to assure a smooth transition from Gatt to the more powerful WTO. However, some officials are still hopeful that the *decision* on the choice of WTO chief can still be made by next month.

A third round of consultations among Gatt members on the WTO *appointment* is taking place in Geneva this week. Trade officials said yesterday they expected the outcome to be a *continued* three-way split on regional lines between Mr Renato Ruggiero, the EU candidate, Mr Carlos Salinas de Gortari, the outgoing Mexican president who has *US and* Latin American backing, and Mr Kim Chul-su of South Korea who has Asian support.

Though Mr Ruggiero is ahead numerically, the eventual decision must be made by consensus. Delays in ratifying the WTO and the associated Uruguay Round global trade accords, the continued stalemate over the next OECD secretary-general and the lack of engagement of the US in the WTO race are *all seen as* obstacles to consensus.

To these must now be added the uncertainty over the outcome of the Uruguay Round vote by the US Congress in three weeks' time. A rejection by Congress would certainly kill the WTO which could not operate effectively without the participation of the world's biggest trader.

Only 30-odd countries among Gatt's 124 members have so far ratified the world trade pact, and they do not include any of the Quad group of leading traders – the US, the EU, Japan and Canada. Most have been awaiting the US decision.

The mid-term elections and the impending Uruguay Round vote have also kept the US out of the active big-power horse-trading that will be a necessary ingredient of an eventual deal.

Though strongly denied by the US and EU, many trade diplomats believe there is also a trade-off between the WTO leadership and the long *delayed decision on who* should run the OECD in Paris. *If,* as the US and Canada are demanding, the OECD job goes to a non-European, this could boost Mr Ruggiero's WTO chances.

Congress and Gatt, Page 6

Poland bids for improved UK trade and investment

By Anthony Robinson

Mr Waldemar Pawlak, the Polish prime minister, yesterday sought to attract more UK *trade and investment by* stressing Poland's large market – equivalent to the combined populations of the Czech Republic, Hungary, Slovakia and former East Germany – and access to non-Russian sources of oil.

Addressing a Polish business conference at the Confederation of British Industry in London, Mr Pawlak said that Poland was currently enjoying rapid export-led economic growth and broad political *agreement on the development* of market-based reforms.

Polish-UK trade has more than tripled in the past four years. This is partly a result of growing UK investment by companies such as Pilkington Glass, British Vita, British Sugar, British American Tobacco, Cadbury Schweppes, BP and British Oxygen, and also because of rising exports of North Sea oil to Polish refineries through the port of Gdansk.

In the first seven months of this year Polish exports to the UK rose to £305m ($500.2m) from £251m in the same period of 1993, while UK exports to Poland slipped back to £366m from £415m, mainly because of a fall in oil and refined product imports to £88m from £151m.

Poland's diversification from dependence on Russian oil was an early priority of post-communist governments. By 1992 oil imports from Russia had dropped to 48 per cent of the *total, while the UK supplied* 21 per cent, Iran 18 per cent and Norway 8 per cent.

Last week Russia and Poland were due to finalise an agreement on the construction of the Polish section of a gas pipeline which will eventually bring 67bn cu m of natural gas annually to central and western Europe from the Yamal peninsular. Mainly for domestic political reasons, Mr Victor Chernomyrdin, the Russian prime minister, called off the *meeting, but the substance of* the deal has not been affected.

Poland will help build and finance the pipeline and take 14bn cu m of Russian gas annually. Unlike earlier Soviet gas pipelines, which terminated in former east Germany and so represented Soviet control over Poland, the Yamal pipeline will transit Poland and the main throughput will be sold on the German market.

Modernisation of Poland's oil-refining and petrochemical *industry, requiring a total* investment of about $2.5bn, is one of the government's long-term priorities. But potential foreign investors, including UK oil and energy groups, have been frustrated by political uncertainty over what strategy will follow. Mr Pawlak said yesterday that the government was currently inclined to restructure the industry before privatisation. Officials added that Warsaw would be seeking substantial foreign investment.

Developing the energy sector was part of a broader plan to restructure eight industrial sectors, including coal, iron and steel and shipbuilding, which had already had subsidies removed and were now operating profitably, said Mr Marek Pol, trade and industry minister.

Toyota planning second assembly plant in Canada

By Kevin Done, Motor Industry Correspondent

Toyota is to double production capacity in Canada to 205,000 cars a year by the late 1990s. The Japanese carmaker is planning to invest C$600m ($450m) to build a second assembly plant at Cambridge, Ontario, with capacity to produce 120,000 cars a year. Output at its current plant is 85,000 cars a year.

The new plant, due to begin production in August 1997, will increase Toyota's capacity in *North America to more than* 900,000 cars and light trucks a year by 1998, and will help Toyota counter the impact of the yen's appreciation.

The main model to be produced at the new plant will be the Toyota Corolla small family saloon. It is already assembled at Toyota's plant in Ontario and at the New United Motor Manufacturing (NUMMI) plant at Fremont, California, Toyota's joint venture with General Motors. A rebadged version of the Corolla produced at the NUMMI plant is sold by GM in North America.

Toyota said it would cease exporting the Corolla from Japan to North America, when the new plant in Canada begins production.

Toyota, the leading Japanese vehicle maker, announced *recently that its production in* North America was expected to rise to 790,000 vehicles in 1996, a 50 per cent increase from last year's output of 533,000.

North American produced vehicles are expected to account for 60 per cent of Toyota's sales in the US and Canada in 1996 compared with 46 per cent last year.

Toyota is also increasing its car exports from North America, chiefly to Japan, Taiwan and west Europe, and exports from the US and Canada are forecast to rise to 80,000 a year by 1996 from 50,000 last year.

It is seeking to increase the local content of its North American produced vehicles with plans to raise engine production in the US and Canada to more than 440,000 a year in 1996 from 207,000 in 1993.

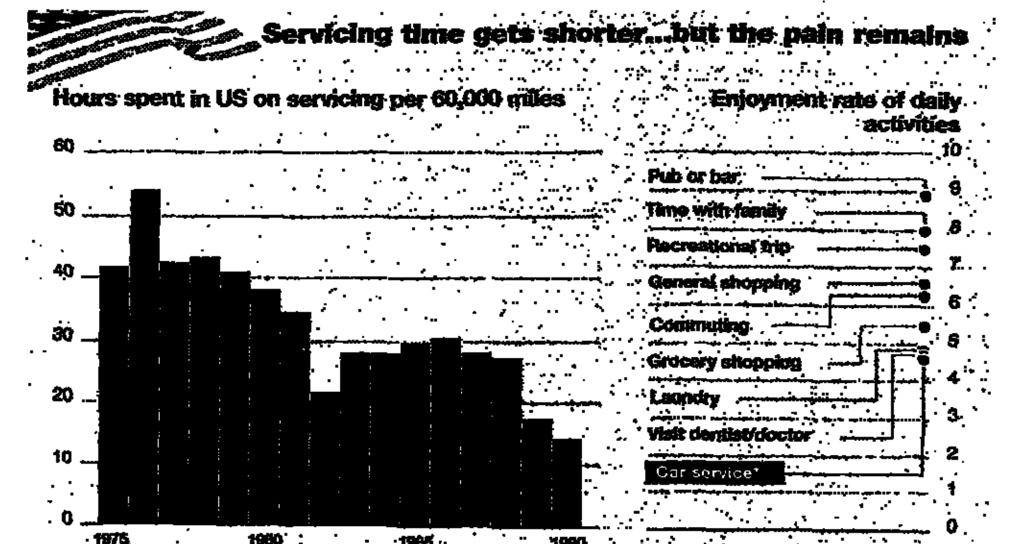
Toyota said that the planned expansion in Canada would satisfy the local content requirements of the North American Free Trade Agreement allowing the cars to be shipped freely between Canada, the US and Mexico.

EU's new car distribution 'archaic'

By Guy de Jonquières, Business Editor

Servicing time gets shorter...but the pain remains

Hours spent in US on servicing per 60,000 miles / **Enjoyment rate of daily activities**



*New car purchase or car repair at a dealer or independent shop

Source: The McKinsey Quarterly, Sewells International (left) University of Maryland 1985 (right)

The main arguments used by Europe's motor industry to win renewal of new car distribution's exemption from EU competition law have been challenged by the top US automotive expert of McKinsey, the international management consultancy.

Mr Glenn Mercer said that recent industry trends made the manufacturers' arguments – broadly accepted by the European Commission last month – "increasingly outdated". He described the practices the exemption was designed to preserve as "fairly archaic".

Contrary to the industry's claims, its traditional distribution system was obsolete, inefficient and failed to meet consumers' needs. Without fundamental reforms, the system would become increasingly uneconomic *and out of* touch with the market.

Mr Mercer's analysis, set out in an article in the latest McKinsey Quarterly, is based *mainly on US experience.* However, he said yesterday that most of its conclusions also applied to Europe, particularly the continent.

European manufacturers claim cars are technically sophisticated products and that they must retain the right to supply them only through franchised dealers. They say the system encourages compe*tition and benefits consumers* by assuring high standards of sales and service.

However, Mr Mercer disputes these arguments. He says:

● *Many franchised dealers are* too small to survive in a free market, while their role in supplying information to manufacturers and customers has declined as car-buyers have become better informed.

● Car-buyers are increasingly dissatisfied with franchised dealers. According to US market research, most consumers find visiting a dealer even *more unpleasant than a dental* appointment.

● The claim that cars need special after-sales care has been undercut by their increas*ing reliability.*

● Franchised dealers are not well-equipped for servicing. Servicing would often be performed more efficiently by *large specialised garages* which were not tied to branded manufacturers.

● Independent franchised dealers are no longer the most efficient way of selling cars. Large savings could be made if *manufacturers sold cars direct* to customers, through discount warehouse clubs or through wholly owned dealerships.

● Contrary to European manufacturers' claims, many customers would like to buy from large outlets stocking competing brands at one site. Multi-brand outlets have already captured about 10 per cent of the US market, Mr Mercer says.

Don't just optimise – unbundle; The McKinsey Quarterly 1994 No 3.

Government is accused of 'recklessly gambling' £30m of public money in Scotland

Banks fail to revive private hospital

By James Buxton and Alan Pike

Health Care International, the Scottish private hospital opened only four months ago to cater for overseas patients, went into receivership yesterday when its bankers were unable to agree on a rescue.

The hospital, located in an enterprise zone at Clydebank near Glasgow, had been unable to attract enough patients, and only 20 of its 260 beds were occupied yesterday. Its failure is highly embarrassing for the government, which committed a total of £30m to the £180m project. Mr George Robertson, Labour's shadow Scottish secretary, accused ministers of "recklessly gambling public money on a shaky, ill-conceived project", while the Scottish Trades Union Congress described the hospital as "a harebrained scheme which common sense indicated was doomed to fail".

HCI, which employs 400 people, hit a financial crisis in September because of a severe shortage of patients from its intended markets in Italy, Greece and the Middle East. In spite of its modern facilities, the organisation is unlikely to interest other UK hospital operators. Feeling in the sector last night was that HCI has demonstrated the unviability of a Scottish hospital aimed at the overseas market.

London private hospitals once relied heavily on overseas patients, particularly from the Middle East, but this market has become thinner in recent years. Most hospital operators now balance overseas work with UK patients, a more important part of their market.

Samuel Montagu, leader of the syndicate of five banks lending to HCI, appointed Mr Murdoch McKillop and Mr John Talbot of Arthur Andersen as joint receivers. They intend to keep the hospital operating as a going concern for as long as possible while they seek a purchaser.

Equity investors and lenders had tried for the last few weeks to agree a financial restructuring. Although new equity funding was available from the Abu Dhabi Investment Company, the French bank Crédit Lyonnais, one of five in the lending syndicate, refused to agree to the package, precipitating receivership.

HCI was conceived by two Harvard professors, Dr Angelo Eraklis and Dr Raphael Levey. The equity investors are led by Harvard Management, which invests money for Harvard University.

Students gather for the march and rally in central London yesterday against cuts in their grants

Students protest at funding cuts

Up to 20,000 students marched in pouring rain through central London yesterday protesting about grant cuts which they say make it impossible to survive without incurring big debts.

The march was organised by the National Union of Students, which published a report claiming that 25 per cent of sixth formers abandoned the idea of further education because of financial worries.

Mr Jim Murphy, union president, said cuts in grants and increased food and accommodation costs meant that it was cheaper to live on unemployment benefit than to take a degree. He said the Student Hardship Report showed that housing costs had risen by 5.5 per cent last year while the grants were being cut by 10 per cent a year.

Meanwhile, the government rejected a claim from students that there are plans to privatise student loans and charge graduates commercial rates of interest.

Monopoly probe for Cook

By John Gapper and Alison Smith

The acquisition by Thomas Cook Group, the travel company, of Barclays Bank's travellers' cheques business has been referred to the Monopolies and Mergers Commission.

The acquisition, announced in August, would allow Thomas Cook, already the world's largest issuer of Mastercard travellers' cheques, to become the biggest issuer of Visa travellers' cheques as well.

The deal would increase Thomas Cook's share of the world's $54bn-a-year travellers' cheque market from 17 per cent to 30 per cent. The market is led by American Express, which invented the travellers' cheque 103 years ago, and has 44 per cent of the market.

The Department of Trade and Industry said yesterday it had referred the acquisition to the MMC on the advice of Sir Bryan Carsberg, director-general of fair trading. The MMC must report by February 16.

Trade ministers can refer to the MMC mergers that intensify a market share of 25 per cent or more in the UK. The Thomas Cook deal was originally due to be completed this week, but has now been put on hold until after the MMC report. Thomas Cook has not disclosed how much it paid Barclays to acquire Interpayment Services, the subsidiary, and yesterday refused to comment on the MMC referral.

Thomas Cook intends to operate the Interpayment Visa brand separately although the two brands would use the same distribution and processing facilities. Integration of those facilities has not yet begun.

Protest against livestock shipment

By Deborah Hargreaves

Animal welfare groups protested at Sheerness in Kent yesterday at the launch of a ferry service carrying live animals to mainland Europe. Ferrylink, a division of the Mersey Docks and Harbour Company, shipped 3,000 calves and sheep to Vlissingen in the Netherlands yesterday in what it hopes will become a daily service.

The company said it would give "the kiss of life," to the live animal trade with 2 vessels taking up to 12 lorry loads of livestock a day after a ban on shipments was imposed by the leading ferry companies in October. Brittany Ferries became the last regular carrier to quit the live animal export trade last Friday.

Companies such as Peninsular and Oriental, which carried the bulk of live exports before the ban, bowed to pressure from animal welfare groups and a public outcry.

Farmers' leaders feared the ferries' action would cut off access to a lucrative export market which is worth £200m a year. Calf prices tumbled last week after Brittany Ferries joined the boycott.

Ferrylink says it will impose a strict code of practice on hauliers to ensure animals are treated well during transit. But Brittany Ferries said last week the majority of hauliers had cynically disregarded its own code of conduct.

"These people are not interested in codes of conduct – only in money," said Ms Joyce D'Silva at Compassion in World Farming, an animal welfare group.

Mr Bill Moses, managing director of Ferrylink, said: "We have no wish to be associated with unscrupulous exporters and any shipment which does not meet our strict code of practice will be refused carriage."

Exporters have also got round the ferry bans by using chartered aircraft. But several airport authorities have moved to stop the trade.

Murdoch in talks on TV news deal

By Raymond Snoddy

British Sky Broadcasting is in negotiations to have its 24-hour television news channel, Sky News, supplied under contract by Independent Television News.

If the deal goes through it would re-create an effective BBC-ITN national television news monopoly in the UK.

Talks are believed to be well advanced between the BSkyB satellite television venture and ITN, the ITV television news organisation. They have involved Mr Rupert Murdoch, chairman of News Corporation, Mr Michael Green, chairman of ITN and of Carlton Communications, and Mr Sam Chisholm, the BSkyB chief executive.

Formal agreement has not yet been reached.Mr Chisholm said last night: "We have plenty of suitors who want to get involved with us in a whole range of areas. ITN is but one."

Sky News,which has won awards for its journalism, is broadcast across Europe on the Astra satellite and is available to millions of viewers through satellite dishes and cable networks. ITN, which supplies television news to ITV and Channel 4, already provides news bulletins and programmes around the clock. Mr Murdoch controls 50 per cent of BSkyB, a consortium in which Pearson, owner of the Financial Times has a significant stake. He is committed to continuing to provide a 24-hour news channel as part of the Sky package of channels.

But for several yearsBSkyB has been trying to find a more cost-effective way of providing the news channel.

Talks took place with the BBC about the possibility of a merged satellite news channel but no agreement could be reached neither could agree on who should have editorial control.

Sky News costs around £30m a year to run and has never made a profit. It is believed that the deal on offer from ITN could save BSkyB around £7m-£8m a year.

Survey highlights the true cost of open government

By William Lewis

Government departments and quangos (organisations outside the government whose leaders are appointed by ministers) are charging large fees for information which they are obliged to disclose under openness guidelines based on the Citizen's Charter, a survey has found.

Some departments are charging hundreds of pounds for previously secret information which became available under the Code on Access to Government Information, introduced in April.

The sums are usually based on the costs of staff doing the research, and can be as high as £45 ($73.80) an hour.

"What we have found is extraordinary differences between departments' arrangements, showing how arbitrarily charges have been set," said Mr Maurice Frankel, director of the Campaign for Freedom of Information, which carried out the survey. "Some of the charges will preserve Whitehall secrecy as effectively as any Official Secrets Act."

The most striking example in the survey is said by the Campaign to be the National Rivers Authority, an environmental watchdog, which says that it may charge children and students who request information for their full-time studies if it takes one member of staff more than half an hour to undertake the necessary research.

The Ministry of Defence in effect rules out providing information which is more expensive than £200, "since it would probably represent an unreasonable diversion of manpower from defence activities".

The survey found that three government departments – the Foreign Office, agriculture ministry and Inland Revenue – charge for all requests which involve staff in extra work. Two other departments – the Home Office and the Department of Health – waive charges for requests which take less than an hour, and charge £20 an hour for others.

The survey found a wide variation in charges. For example, the Departments of Transport and Social Security charge for information only if more than four hours' work is required, with fees based on the average salary cost of staff involved.

The cheapest departments from which to obtain information appear to be the Lord Chancellor's Department, the Public Records Office and parts of the Northern Ireland Office, all of which allow five hours' work free. The Cabinet Office and the Scottish Office waive the first £100 of any charges.

The Office of Public Service and Science defended the charges and said anyone dissatisfied should complain to the Parliamentary Ombudsman.

Chemicals help improvement in trade figures

By Philip Coggan, Economics Correspondent

A surge in exports of chemicals and capital goods is driving a continuing improvement in the UK's visible trade figures, Central Statistical Office figures showed yesterday.

August's deficit with the rest of the world was a seasonally adjusted £631m, ($1,034m) while July's was revised downwards from £704m to £555m largely because of changes in the calculation of the seasonal adjustment. The CSO says the trend shows a continuing narrowing of the deficit, *with exports and imports rising by about ½ per cent a month.*

World trade figures are reported in arrears because of the Intrastat system used in the European Union, which is based on value added tax returns. The new element of yesterday's figures was the EU deficit, which widened to £342m from £171m in July, in part because of the import from France of trains for the Channel tunnel. Imports from the EU have been *rising faster than those from the* rest of the world.

Mr Adam Cole, a UK economist at James Capel, the brokers, said the *rise in EU imports was significant and may mark "a turning point in the trend of falling deficits apparent over the past few months".*

Over the three months to August, the whole-world deficit was £1.97bn compared with £2.85bn in the three months to May. Over the same period, export values have risen 5 per cent while imports have grown 2 per cent. The deficit was £3bn in the three months to August 1993.

The CSO said increases in the value of chemicals and capital goods were responsible for around half the rise in exports over the past three months. If *oil and erratic items such as precious stones are excluded, the whole-world trade deficit in August was £1.19bn from £1.07bn in July.*

The CSO estimates that export volumes – excluding oil and erratics – are increasing by about 1 per cent a month while imports are flat.

Over the three months to August, export volumes were 3 per cent higher than in the previous three months while imports fell by 1 per cent.

Compared with the same period of 1993, exports are up 12 per cent while imports are up 6 per cent. Both export and import volumes reached record levels in August. *Falls in import volumes were recorded in all sectors over the three months to August, including finished manufactures, where clothing imports fell by 7.5 per cent.*

The improving trend in volumes has not been fully reflected in the headline figure for the trade deficit because *of a deterioration in the* terms of trade.

Import prices were 3 per cent higher in the three months to August than in the previous three months while export prices were 1 per cent higher.

Government seeks to boost level of non-EU exports

By David Owen

The British government is aiming to lift the proportion of UK *exports that go to countries* outside the European Union as part of its strategy for stimulating domestic growth.

Ministers want to increase non-EU exports to more than 50 per cent of the total before the next general election due by 1997.

They are keen to promote British exports to relatively fast-growing economies in Asia and Latin America.

On Sunday, Mr Richard Needham, trade minister, is due to leave for India at the head of a party of more than 80 business executives in what *the Department of* Trade and Industry is billing as its biggest-ever trade mission.

The group will fly to Calcutta, Delhi, Bombay and Madras for a week-long programme of meetings.

Official figures indicate the government is well on the way to achieving its target: exports to the EU amounted to £46.3bn or 52.6 per cent of the total in the eight months to August. This compared with £63.9bn or 52.7 per cent in 1993 and £58.9bn or 57 per cent in 1991.

Last October, non-EU exports – at £5.28bn – marginally outstripped exports to EU countries – at £5.26bn. It was the first month for more than three years in which this had happened.

But next year's expected enlargement of the EU may make the target more challenging than it appears.

The way is clear for four European countries – Sweden, Norway, Finland and Austria – to become members of the EU in January 1995.

Minister accused on Pergau

By Robert Rice, *Legal Correspondent*

Mr Douglas Hurd, the UK foreign secretary, was yesterday accused in the High Court of acting unlawfully in earmarking £234m from the overseas aid budget for the Pergau dam in Malaysia.

The World Development Movement, a lobby group for developing countries, is seeking to have his decision quashed, to recover the £29.6m already spent, and block further payments from the aid budget for the dam's construction. The next instalment is due to be paid in December.

The group claims Mr Hurd overstepped his powers under the 1980 Overseas Development *and Co-operation Act, by allocating* aid money for the improper purpose of promoting trade with Malaysia. The act says the primary purpose of aid must be the economic benefit of a foreign country or the welfare of its people.

Mr Nigel Pleming QC, the group's counsel, said the purpose of the act was "aid – not trade" and Mr Hurd's decision had deprived poor countries of British funds which should have been spent on them.

Mr Pleming said the use of aid could not be said to be for the economic benefit of Malaysia because when Mr Hurd took the decision, "Pergau was unequivocally an economically unsound project". Sir Tim Lankester, *former permanent* secretary at the Overseas Development Administration, advised that the dam was uneconomic and funding it was an "abuse of the aid programme", but he was overruled.

The government has accepted that if it loses the court case, the bill for the dam will have to be met by another government department.

Mr Roger Briottet, WDM director, says the £234m earmarked for the project is equal to twice as much as all British aid for water and sanitation for the last five years or half *Britain's aid to sub-Saharan* Africa in 1992/93.

The hearing continues today.

UK NEWS DIGEST

Howard rebuffed as court rules he acted unlawfully

The British government's new compensation scheme for victims of violent crime, introduced in April, was ruled unlawful by the Appeal Court yesterday.

The decision is a further setback for Mr Michael Howard, the Home Secretary.

The court said he had acted "unlawfully" and "abused his powers" by implementing the scheme without referring it to Parliament.

Mr Howard said last night he would be appealing against the decision to the Lords.

The new tariff-based scheme sets fixed *levels of compensation* for different categories of injury, replacing the previous scheme based on personal injury compensation rules, which took account of individual circumstances.

The government said the new scheme was necessary to curb soaring compensation costs. It said unless changes were made, the annual cost of payments would rise from £224m to £550m by 2001.

The ruling prompted immediate opposition demands for Mr Howard's resignation.

Offer made to Maxwell groups

A group of investment banks and former professional advisers to pension schemes controlled by the late Robert Maxwell has offered to pay between £200m and £300m to obtain a "global settlement" of all outstanding claims.

Trustees of the schemes and their advisers yesterday met Sir Peter Webster of the Maxwell Pensioners Trust *who told them* of the offers.

Sir Peter had set a deadline of November 4 by which time all *offers of settlement* had to be made. Those which did not make "credible" offers could expect legal proceedings against them to continue.

However, trustees had been hoping to receive an offer closer to the £448m estimated to have disappeared from the schemes before Maxwell's death in November 1991.

Third setback for Eurostar

Eurostar, the high-speed Channel tunnel passenger train, yesterday suffered its third embarrassing breakdown within a month. Eurostar will start a regular service linking London with Paris and Brussels through the tunnel next Monday.

One of the £24m trains due to carry a party of MPs to Paris developed a technical hitch and had to be replaced, causing a 30-minute delay.

On October 20 a train due to carry 400 journalists through the *tunnel on a promotional trip suffered a similar* hitch while the following day a train carrying British Rail chairman Sir Bob Reid and Eurotunnel co-chairman Sir Alastair Morton had to be taken out of service at Calais.

European Passenger Services, the UK arm of Eurostar, said most of its test runs had been trouble-free and it was confident its public service would run smoothly next week.

£500m power station plan

Up to 700 jobs are to be created building a £520m gas-fired power station near Grimsby, Humberside County Council said yesterday.

The station is being built by a consortium including Midlands Electricity, the regional power company, IVO, the Finnish electricity company and Japanese trading company Tomen.

Humberside said the station was one of the largest inward investments into the UK. The station is due to open in 1997, creating up to 100 permanent jobs.

Norman O'Neill, chairman of Humberside county council's economic development sub-committee, said the investment was the first of many in line for the area.

However construction of the station, which will have a capacity of 750MW, has been seen as a setback for the coal industry. When it is fully operational it will displace up to 2m tonnes of coal a year.

Human rights award for Hume

Mr John Hume, leader of Northern Ireland's Social Democratic and Labour party has won major peace and human rights awards in the United States and Italy.

He is to join former Soviet and US leaders Mikhail Gorbachev and George Bush to receive the Pio Manzu Institute award for peace, in Rimini at the weekend. Mr Hume is also due to receive an award from the International League of Human Rights at the UN in New York next month.

The MP for Foyle, in Londonderry, who has been at the centre of the Northern Ireland peace process has already been *nominated* for the 1995 Nobel Peace Prize.

Ealing offers expected soon

Serious offers for Ealing Studios – home of some of the most famous British films – are expected within days, it emereged yesterday. Receiver Mr Alan Price – speaking the day after one of the country's newest film production companies, Metrodome, put forward a rescue plan – said he was "optimistic" of finding a buyer.

The two-year-old company announced it was prepared to provide half the money to buy the studios and was actively seeking a partner willing to meet the rest of the cost.

The fate of the west London studios, used in the 1940s and 1950s for comedy classics such as The Lavender Hill Mob and The Ladykillers, is in the balance after owners BBRK became insolvent last month.

Mr Price said Metrodome was just one of a number of companies which had shown an interest in taking over Ealing.

Casino advert ban may be relaxed

THE NATIONAL LOTTERY

The government is considering relaxing the strict rules governing advertising by casinos and betting shops, Mr Michael Howard, home secretary, said yesterday, our Marketing Correspondent writes. Pressure on the government to ease gaming restrictions has increased with the advent of the National Lottery, tickets for which go on sale on Monday.

Competing operators, including the football pools, have won concessions following complaints that the lottery is not subject to the same tight rules on advertising, promotion and operation as other forms of gambling.

Mr Howard told the British Casino Association that the government was looking at all gaming controls as part of its effort to cut down on unnecessary red tape. The current complete ban on advertising for casinos was "ripe for review", he said. "There are legitimate concerns that unrestricted advertising would send out the wrong signal to those who might be vulnerable *to* excessive gaming. But I think there is a case for your being allowed to give out information about yourselves, the location and facilities offered." Similar restrictions in other areas would be examined. *Betting* shops are allowed to advertise on posters, but are not allowed to state their location.

- The Sports Council said yesterday it expected £1.6bn ($2.6bn) to be available for sport between 1995 and 2000 from the National Lottery.

Local sports facilities and a possible new national stadium may be funded by the lottery, which is first drawn on November 19. Sport is one of five "good causes" that will receive an equal share from every £1 ticket sold.

MANAGEMENT: MARKETING AND ADVERTISING

The old school lie

How do independent schools improve their market position, as recession continues to make inroads into pupil numbers? The answer seems to be: by moving up the league tables.

Parents place increasing weight on exam results with the consequence that those schools which perform well cite their league position in their advertising.

At face value, this is a welcome development. If schools are forced to improve academic results, they are boosting the fundamental quality of their product. But the suspicion is harboured in some quarters that certain schools have worked out how to doctor the results.

After the FT's school survey was published last month, a humorous missive arrived from Uppingham, a Leicestershire boarding school. The Uppingham Newsletter, tongue in cheek, provided heads with ways to massage their figures:

- Challenge the results with the examiners. "Obviously you won't want to include the results in your statistical submission, because they are not really results at all, are they?"
- "Weed out" pupils who do badly in the mock exams. "Obviously Nigel should not be allowed to take the A-level. It wouldn't be fair on him."
- Establish a "private examination entrance centre-St Custard's", and enter your 20 per cent weakest candidates there: "St Custard's won't do very well, but you will!"
- Recruit pupils from Germany, for example, and enter them for A-level German.
- Omit results for those who have been at the school "just for a year's experience – they can't be expected to do terribly well".
- Start at the very beginning and refuse to permit students to take "hard" subjects, even if they want to.

The newsletter notes mischievously: "Nobody would even think of such things, would they? You'd be surprised!"

John Authers

Food for thought

Neil Buckley explains why it took so long for Marks and Spencer to crack the international retailing market

When women in Madrid and Lisbon want a bra, they head for Marks and Spencer. The UK-based clothing and food retailer is building a Spanish and Portuguese retailing empire on selling lingerie. The reason, say M&S managers, is that local retailers are decades behind in the way they sell these intimate garments.

Many offer only three sizes of bra – small, medium or large. Products are displayed in glass cases; buying one requires an assistant reaching up and taking a box from a shelf behind the counter. Marks and Spencer, by contrast, sells a wide range of bras, displayed on open fixtures, in 17 sizes. "We really do lead the world in bras and knickers," says David Dewhurst, commercial manager of Marks and Spencer's Portuguese franchise.

Being a successful international retailer, however, means more than providing 17 bra sizes, as Marks and Spencer has discovered. The history of its expansion overseas has not always been happy.

In 22 years of trading in Canada it has rarely done better than break even, with local inhabitants never really taking to its stores. D'Allaird's, the Canadian chain M&S acquired in the 1970s, has, performed a little better.

More recently, M&S underestimated the work it would have to do to bring Brooks Brothers, the upmarket US clothing chain acquired in 1987, up to group standards. Elsewhere, however, across Europe and in east Asia, Marks and Spencer is at last becoming a successful cross-border operator.

As well as 322 Brooks Brothers, D'Allaird's and Kings Super Markets stores in North America and Japan, and its 40 M&S stores in Canada, it has 32 company-owned stores in six countries outside the UK, from the Republic of Ireland to Hong Kong. It also has 76 franchise stores in 18 countries from Austria to Indonesia. In its most recent full-year results, 13 per cent of Marks and Spencer's turnover and 7 per cent of operating profits came from outside the UK.

It used to be a rule of retailing that stores groups that succeeded overseas were those that "sold their country", whose image and products were closely associated with a particular nation.

That no longer holds true. Retailers such as Toys R Us of the US and the Swedish furniture retailer Ikea dominate every market they enter not because they are American or Swedish, but because they sell a bigger range of better products than their competitors, at better prices. The UK's Body Shop has expanded into 45 countries by selling innovative "natural" products. Britishness scarcely comes into it.

M&S on Paris's Rue de Rivoli: its best-selling products are Indian ready meals

What these retailers have in common is a "unique selling point", setting them apart from competitors. Marks and Spencer's USP, however, is complex; customers outside the UK seem drawn to its stores for many different reasons.

Part of the reason is still its Britishness. Overseas store managers admit that classic "British" products, such as Harris tweed jackets or flannel shirts, always sell well. But, says Juan Jinojosa, a director of Cortefiel, the Spanish retailer which owns 20 per cent of Marks and Spencer's Spanish business: "Early in the life of Marks and Spencer in a new country, its British appeal is important. But the day quickly comes when the appeal is more the strength of the product and the service."

An important reason for customers choosing M&S is that it offers a variety of other products not available locally, at least in such depth, or for such a good price. Lingerie is in this category – in Madrid it accounts for almost a quarter of turnover, compared with 13 to 15 per cent in UK stores. Children's-

Sometimes the products are more unusual, especially in food. In Marks and Spencer's new Paris store, which opened in September on the Rue de Rivoli, some of the best-selling products are ready meals, especially Indian meals – not widely available in France.

But perhaps the most important ingredient of Marks and Spencer's overseas stores is that they are able to meet local tastes and offer products similar to those in local stores – but at superior quality and prices.

Both internal and external factors have made M&S better able to do this now than it was when it first expanded overseas in the 1970s. One external factor is that international tastes have started to converge, due to growth in foreign travel and cross-border television and media.

Alan Lambert, Marks and Spencer's divisional director for continental Europe, says the "European consumer" is now a reality. "I personally wouldn't narrow it down to Europe," he adds. "There is already an international consumer."

Individual tastes do persist in different countries, but internal changes have helped Marks and Spencer address these. The group has developed the flexibility to construct a product offer made up of "core" bestsellers surrounded by products tailored to local markets.

This does not work everywhere – Canada being the obvious example – and M&S still makes mistakes, but it has learned to rectify these more quickly. Dewhurst says research a few years ago in Portugal found shoppers loved Marks and Spencer's lingerie, but thought its clothing "ugly". By swapping the contemporary bodies and leggings it had been trying to sell for more "classical" blouses and skirts, it was able to meet local tastes.

With all tills in company-owned stores linked to a giant computer centre in west London, and franchise operations increasingly being linked to the same system, the group can quickly pick up trends, spotting which products are not selling, and make adjustments accordingly. Moreover, all products are sourced through its central buying organisation and supplier network, which, says Alan Hodges, Madrid store manager, means M&S can be "unbeatable value".

That is in spite of M&S's prices in continental Europe being about 20 per cent higher than in the UK, owing to higher distribution costs. Prices, however, are coming down as M&S adopts its "outstanding value" campaign across Europe, involving lowering prices on popular products to boost volumes.

There are perhaps two important lessons to be learned from Marks and Spencer's experiences. One is the importance of flexibility. Transplanting a store format and its product range from one country to another, as M&S tried to do in the 1970s, is not enough, even in the age of today's international consumer. The complexities of local tastes must be catered for.

But successful cross-border retailing does not necessarily entail reinventing the wheel, coming up with a highly innovative store format or concept. In the words of Alan Lambert: "Quality, service and value will sell anywhere."

Deutsche Bank's motley crew

Andrew Fisher on a different kind of corporate advertising by Germany's biggest bank

Put together a theologian, a car company executive, a trade unionist, a former government minister and a couple of professors and what do you have? A motley collection, some would say, but for Deutsche Bank they have a common link. To Germany's largest bank, this is a group of people who can help polish its image after a year of hard knocks.

From Sunday, it will run a series of heavyweight advertisements in German newspapers where these individuals' views on work and society in an uncertain future will be comprehensively presented. The bank will scarcely be mentioned, although its name and line-in-a-box logo will be printed at the foot of the articles.

Why is the bank doing this? Clearly, an image-burnishing campaign would not go amiss at the end of a year in which it has featured uncomfortably in the spotlight. First, its role as shareholder and creditor of Metallgesellschaft, which made heavy losses on US oil futures trading, was highlighted. Then came Jürgen Schneider's collapsing property empire, to which the bank was a significant lender, followed by his disappearance. Banks in general have been criticised for being too inattentive to customers' needs.

But the current campaign, masterminded by Abels & Grey, a self-styled corporate mission agency in Düsseldorf, is not like the usual burst of promotions. The latest run of advertisements has more to do with broad social and philosophical issues, although the agency does plan an image campaign along more usual lines next month.

Such a concept-oriented approach in advertising is novel. Horizont, the German marketing weekly, says the campaign "breaks through the accepted boundaries of institutional communication". Its theme is Work of the Future – the Future of Work; the articles are somewhat daunting two-page reprints of speeches on the subject by Hans Küng, a controversial Catholic theologian, Heinz Riesenhuber, former research minister, Wolfgang Reitzle, BMW's development director, Walter Riester, deputy head of the I.G. Metall trade union, and two professors from Constance and Bonn. The speeches were given at a conference of the Alfred Herrhausen Society, formed in memory of the bank's former chairman, killed by terrorists five years ago.

This week the bank has run 60-second television commercials foreshadowing the campaign against a background of job uncertainty. According to Horizont; "No large German company, and certainly none of the big banks, has dealt with such social themes in a way that is so public and so removed from its own business".

It calls the bank's action "courageous" but says it also carries a high risk, especially since each article would be prefaced by the words: "Deutsche Bank – we support the future." This would be a yardstick by which the bank would be measured.

Deutsche Bank accepts this risk. "We are under the gaze of the public," writes Hilmar Kopper, the chairman, in Forum, its house magazine. "As one of the leading corporations in Germany, we are quite obviously involved in many social activities which go beyond the purely commercial." By this, he means the bank's responsibilities as an employer and member of the community, supporting environmental research and helping the disabled.

It is this "other side" that the bank wants to bring more into the open. Kopper says Deutsche Bank's "traditional reticence" about the wider aspect of its activities had led to "a certain one-sidedness" in the public's view. In future, it would provide more information about how it fulfilled its social responsibilities.

Horizont hopes more companies will follow suit. No doubt, they will await the response to Deutsche Bank's campaign first.

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TECHNOLOGY

Specialists come to the patient

Telemedicine may save time and money, writes **Vanessa Houlder**

A pregnant woman lies on an examination table at St Mary's Hospital on the Isle of Wight. An ultrasound scan has picked up a potential abnormality in her baby.

Eighty miles away, in Queen Charlotte's Hospital in London, an expert is watching the progress of the scan as it takes place on a TV screen. At intervals, he freezes the screen and takes measurements of the image. Within a few minutes, he is able to assure the sonographer and patient at the other end of the line that the pregnancy is normal.

This system of transmitting scans at St Mary's to specialists in London via an Integrated Services Digital Network (ISDN) link is now in the early stage of a six-month trial.

Several benefits of the system are already apparent, according to Nicholas Fisk of Queen Charlotte's Hospital. It spares many women the anxiety of waiting for a consultation and the expense of travelling to a specialist centre. Because it is less stressful for the mother, sonographers are more likely to get a second opinion for borderline cases.

The system may also save the specialist hospital time and money. The equipment – provided by BT for the trial – costs around £60,000. But it may allow the specialists to be more productive, reducing the £500 cost of the average consultation.

The Isle of Wight experiment is not unique. The falling cost of equipment is encouraging hospitals around the world to experiment with telemedicine – transmission of medical data and images between medical centres – in order to improve services for remote areas or to make top specialists available to countries that lack a particular expertise.

Last month, doctors in Saudi Arabia were linked to specialists in the radiology and pathology departments in the Massachussetts General Hospital, in what WellCare, the network provider, describes as the first international telemedicine link.

The system works by digitising and compressing images of patients' X-rays, MRI (magnetic resonance imaging) and CT (computerised tomography) scans. These are then sent down telephone lines in the course of a few minutes to specialists at Massachusetts General Hospital, who can respond in minutes if the case is an emergency. Patients are charged the same fee as those who visit the hospital in person.

The advantage is that this system depends on ordinary telephone lines. "Doctors and patients most likely to need this service are those least likely to have access to sophisticated telecommunications," says Ricky Richardson, executive vice-president of WellCare.

Video conferencing is another increasingly important strand of telemedicine. Over the past year, a video connection between a community hospital at Peterhead in Scotland and the Accident and Emergency Specialist Centre in Aberdeen has saved many patients from having to make a 100-mile round trip to Aberdeen.

A wide range of medical problems can be diagnosed in this way. Even psychiatric patients can be interviewed using video links, according to Steinar Pedersen, head of the department of Telemedicine at the University Hospital in Tromso, Norway.

"The patient feels in complete control," he says.

Doctors who have taken part in these experiments with telemedicine report that problems have tended to be related to administrative, rather than medical, matters. Telemedicine often cuts across existing funding mechanisms. It also raises issues of medical accountability and liability. But the champions of telemedicine believe these problems are surmountable and should be offset by its numerous advantages.

They believe that telemedicine cuts the expense of consultations and so offers a partial solution to the spiralling costs of hospital care. It fits in with the ambitions of the UK government to decentralise the National Health Service. It should also make specialist services more convenient and accessible for patients.

Front runners: athletes such as Roger Black (left) and Richard Nerurkar want the superior performance delivered by high tech

Sports footwear manufacturers use high technology to cater for all kinds of athletes, writes **Victoria Griffith**

Shoes that go one step ahead

A young man triumphantly slams a basketball through the hoop while a woman works out on the treadmill. Dozens of used running shoes are heaped in the corner, and a golf player awaits his turn to try out his back swing on the astroturf.

This is not an exclusive health club, but the research laboratories of Reebok in Stoughton, Massachusetts. For Reebok, as for other high-tech sports shoe makers such as Adidas, Nike, L.A. Gear and New Balance, recreation is big business.

The basketball player is stepping on a sensitive "force plate", a device beneath the boards that measures the force of the player's landing after his jump. The woman on the treadmill is wearing reflectors on strategic parts of her legs and feet. The action is recorded on high-speed video – the reflectors' movements are then isolated and fed into a computer, where they will be studied in detail.

The heaps of running shoes will be inspected to determine how well they held up over miles of use, and the golf player will eventually be converted into a computer stick figure, so that scientists can study the movement of his foot during the back swing.

Technology in the sports shoe industry has come a long way in the last 20 years. In the 1960s, most people expected no more from a sports shoe than a little foam and rubber, with canvas or leather on top. The running craze of the 1970s sparked the first interest in shoes tailored to a specific sport.

Since then, the sector has blossomed. Companies have tapped research in the aerospace and transport industries to make improvements in design. Shoelaces have been replaced on many models by a less complicated strap system. Sports shoes are pumped up with air, reinforced with high-tech materials, sculptured to the foot and manipulated to eliminate excess weight.

Consumers have responded enthusiastically. The global wholesale athletic footwear industry reached \$12.1bn (£7.3bn) in 1993, according to the NPD Group, a market research firm. For 1994, the figure is forecast to be even higher.

Manufacturers are always looking for new sports to add to their product line. The recent enthusiasm for mountain biking inspired a crusade for the perfect mountain-biking shoe. Adidas is considering developing a shoe for snowboarding, a sport which has taken off in the US, and New Balance just arrived on the market with a new boat shoe, an alternative to moccasins.

Companies are also trying to expand their market by making shoes for sports more commonly played in Europe and Asia than in the US. Nike, for instance, will introduce a new line next year that includes footgear for squash, handball, volleyball, cricket and rugby.

Hiking boots are also attracting attention, and for good reason. While a tennis shoe, for instance, rarely sells for more than \$120 a pair, hiking boots are often \$200 or more. There is also much room for improvement. Most hiking boots are unnecessarily uncomfortable, according to Spencer White, head of research at Reebok.

Because every sport involves different foot movements, manufacturers say athletic shoes need to be tailored for a specific use. Games such as handball or tennis, for instance, require a great deal of lateral (side-to-side) movement, requiring a more stable shoe than one worn by walkers. Soccer players like a shoe that fits like a glove, and used to buy footwear too small before manufacturers latched on.

American football players need good traction. However, if the shoe gets stuck on a twisting movement, they can hurt their knees. Reebok is trying to design a shoe that would offer both forward and lateral traction, but would still give way on a twisting motion.

Even within one sport, athletes' needs may vary. A dribbler, or defence player in basketball, for instance, needs to move fast and usually prefers a lighter shoe. But offensive players are normally bigger and heavier, and require more stability in the heel for jumping. "Everything is important, from the form on which the shoe is built to the heel width to the tread pattern," says Edith Harmon, product development manager for New Balance.

Footwear manufacturers were met with surprise when they showed up at aerospace and transport fairs

Besides laboratory testing, manufacturers rely on top athletes and testers, often referred to as the "weekend warriors", for input. "The big athletes are important, but we get even more feedback from people who play sports casually," says Guy Marshall, a footwear designer for Adidas.

One of the main challenges in the industry is to design a shoe that is both light and strong. "We are looking to take every last gramme of material out while maintaining the shoe's stability," says Harmon.

The right materials are of prime importance. Footwear manufacturers were met with surprise when they showed up at aerospace and transport fairs in the 1980s. Now they have formed direct contacts with chemical firms and other materials developers.

Nike, for example, uses a Du Pont concoction called Kevlar for its tennis shoe line. "One of the main problems in a tennis shoe is getting durability in the forefoot, because players tend to drag their toes," says Richard Oldfield, product line manager for the group. "Kevlar added strength to the shoe without introducing heaviness." The material was used in bullet-proof vests and for brake pads on logging lorries before Nike took it up.

Makers of running shoes, which need to be especially lightweight, started experimenting with mesh materials in the 1980s. Now meshes are everywhere. Nike also uses a material called Ultralam, used in windsails for windsurfing, for its cross-country training shoes. "It is light-weight, thin and strong, and we apply it in areas needing extra support," says Oldfield.

One of Reebok's latest products, the InstaPump Fury, makes good use of high-tech materials to achieve a lighter weight. The company's studies revealed just how little pressure most runners place on the arch of their foot. The manufacturer's response was to eliminate the central section, concentrating material in the forefoot and heel.

The result looks like a cross between a high-heel hiking boot and an alien's idea of walking shoes. The foot is given support in the arch through an incredibly thin, lightweight and strong material called Graphlite. The material, originally used in the wings of aeroplanes, runs glass fibres one way and carbon fibres the other, and is covered with a plastic resin. "The three materials together are much stronger than they would be separately," says White.

To try to eliminate stress and injury, New Balance uses former transport industry shock absorbers that were once used as a replacement for a heavy steel spring. It also manufactures long-distance running gear with high-wearing, abrasion-resistant rubber.

One of the most important innovations in recent years has been air tubes. Nike and Adidas use air chambers in shoe soles for light-weight stability. Reebok uses inflatable uppers for a snugger fit.

It is uncertain how far the industry can take its fascination with high technology. Marshall says the last significant innovation was the air pump. "We are waiting for something really big like that to take the industry forward again."

Fashion, of course, will play a part in the industry's future, but manufacturers say it is not their mainstay. "A lot of people who buy these shoes may never practise the sport," says White. "They just want to wear something that looks cool. We love these people, but we can't survive just with their purchases. We need athletes who buy the shoes because of their superior performance. And that is where the high technology comes in."

PEOPLE

Reuters' Sanderson takes on the States

Reuters Holdings, the financial information and news company, has promoted Michael Sanderson, chief executive officer of Instinet, its fast-growing, US-based equity brokerage service. From January 1, he will become chairman of Reuters America Holdings, which oversees all the group's activities in the Americas.

Sanderson, 51, who will continue as Instinet's chief executive, will report in both roles to Andre Villeneuve, an executive director of the London-based group who currently chairs Reuters America Holdings.

Instinet, Reuters America – responsible for the group's financial information and media activities – and Reuters NewMedia, which has recently made a series of small multimedia acquisitions in the US, will continue to operate as separate entities. Brian Vaughan, president of Reuters America, and Buford Smith, president of Reuters NewMedia, will report to Sanderson.

Villeneuve said the appointment was an important stage in the development of the group's activities in the Americas. Including revenue from Instinet, the US now outweighs the City of London as the group's biggest single market.

Sanderson joined Instinet as president and CEO in 1990. Before that he was with Merrill Lynch, where he started in 1967 as an investment executive, rising ultimately to the position of chairman and ceo of Merrill-Lynch Canada. *Andrew Bolger*

■ David Thompson has been appointed md of James Robinson, part of HOLLIDAY CHEMICAL HOLDINGS; he moves from BP Chemicals and succeeds Robert Rae, deputy chairman of James Robinson, who becomes md of Holliday Pigments.

■ Ian Upson has been appointed md of ESSO PETROLEUM Co and joins the boards of Esso UK, Esso Petroleum Company and Esso Exploration and Production UK.

■ Paul White, formerly financial director for Marconi Radar and Control Systems, has been appointed finance director for UKAEA Government Division.

■ David Dunbar has been appointed director of US-based EnviroTech, part of WEIR GROUP; he is replaced as chairman of Darchem Engineering by Alistair Fleming.

Kermans finally bow out at BS Group

A long and bitter boardroom struggle at BS Group, the Bristol-based property and leisure company, has come to an end after three members of the Kerman family resigned.

The announcement was the culmination of the efforts of non-family shareholders to remove the Kermans, who have been associated with BS, formerly Bristol Scotts, since before the second world war.

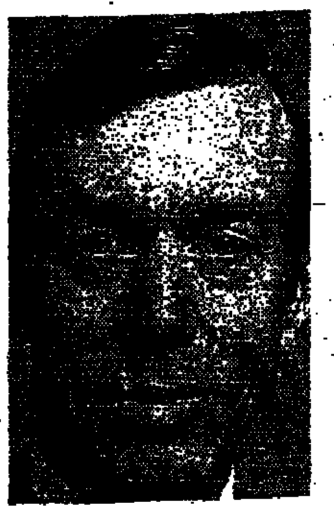
In August, Anthony Kerman was deposed as chairman and replaced by Sir Ian Rankin. Two months later Scotts Holdings, a property group based in Singapore, bought the Kermans' 26.97 per cent stake in the company for £3.1m. This was held by Anthony Kerman, his brother Nicholas and their father Isidore.

Scotts is quoted on the Singapore stock exchange but is controlled by the Jumabhoy family, who at the time of the buy-out agreement received assurances from the Kermans that they would leave the board.

Iqbal Jumabhoy, Rafik Jumabhoy and Bryan Burletson, a business partner of the Jumabhoys, have taken three seats on the board as non-executive directors. Sir Ian remains chairman.

BS returned to the black this year for the first time since 1988, with a pre-tax profit of £429,000 for the six months to June 30. The interim dividend of 3p was the first distribution since 1989. *James Whittington*

Ross Goobey puts his words into action



Alastair Ross Goobey, chief executive of Postel Investment Management and one of the most forceful advocates of property as a financial asset, is taking over as president of the Property Investment Forum.

The Forum was set up seven years ago to debate and comment on issues relevant to the property investment community. It now has around 700 members drawn from the property, legal, actuarial and other professions.

Ross Goobey's involvement is sure to raise the profile of the group. In addition to running the UK's largest pension fund, he is a former Treasury adviser to Normant Lamont and author of *Bricks & Mortals*, a readable history of the last boom-to-bust property cycle.

Yet he takes the helm of the IPF at a time when many of his peers are losing interest in property. The average pension fund now has only around 6 per cent of its assets in commercial property, against 20 per cent at the start of the 1980s.

Ross Goobey believes part of the answer could be new forms of property investment, which could mean another look at ways of unitising property to appeal to fund managers. *Simon London*

■ Michael Queen, a director of 3i, has joined the PRIVATE FINANCE PANEL executive on a 15-month secondment.

Jean Wood promoted at Irish Life

Brian Duncan is to step down as chief executive of Irish Life Ireland as part of the company's reorganisation of its European operations.

Duncan, who joined the company after leaving school, has been in charge of both retail and corporate arms. His departure follows a merging of the company's retail business in Ireland and the UK under a new chief executive, Jean Wood, currently head of Irish Life's European business. Corporate activities are to be headed by Kevin Murphy, currently in charge of investments.

Irish Life's managing director David Kingston says Duncan, 49, believes "it is now time for a change – both for himself and for Irish Life".

Duncan declined to take one of the two new positions created by the management review and is now said to be favourite to take the vacant position of chief executive of VHI, the big state health insurer. *John Murray-Brown*

■ Rick Hudson has been appointed operations director of ROYAL INSURANCE Global.

■ Nigel Keess has been appointed director of operations with responsibility for the customer service and systems departments at SCOTTISH PROVIDENT INTERNATIONAL.

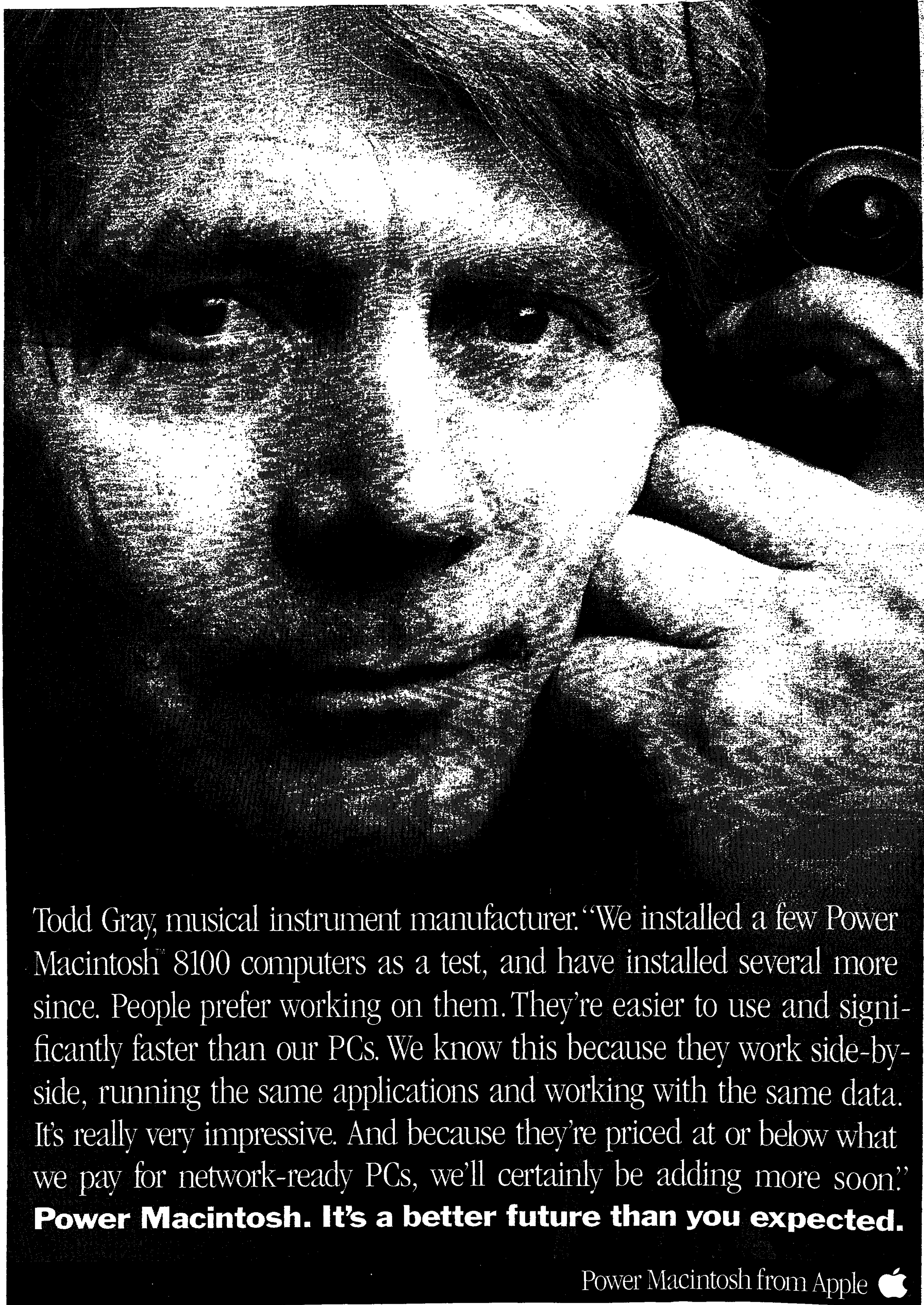
■ James Gilchrist, deputy chief executive and general manager (sales), has been appointed to the board of SCOTTISH LIFE ASSURANCE COMPANY.

■ Adrian Daly has been appointed chief executive of HIBERNIAN GROUP, Ireland's largest home insurer, on the retirement of Eamon Walsh.

■ Michael Pendle has been appointed director, general insurance at ABBEY NATIONAL; he joins from National & Provincial Building Society.

■ David Drury, appointed information technology director, and Vyvienne Wade, legal director, have joined the boards of JIB UK Holdings and JIB Overseas Holdings; Drury moves from Bain Hogg.

■ John Rampe, a director of UNITED FRIENDLY GROUP for 43 years, died last month.


Todd Gray, musical instrument manufacturer. "We installed a few Power Macintosh™ 8100 computers as a test, and have installed several more since. People prefer working on them. They're easier to use and significantly faster than our PCs. We know this because they work side-by-side, running the same applications and working with the same data. It's really very impressive. And because they're priced at or below what we pay for network-ready PCs, we'll certainly be adding more soon."
Power Macintosh. It's a better future than you expected.
Power Macintosh from Apple

ARTS

A too, too neat last testament from Krzysztof Kieslowski: Irene Jacob in 'Three Colours Red'

Cinema/**Nigel Andrews**

At the end of the rainbow

Is the crusty retired judge (Jean-Louis Trintignant) at the centre of Krzysztof Kieslowski's *Three Colours Red* really a portrait of the director?

Kieslowski is now a *crusty retired* film-maker. Before unwrapping this farewell movie at Cannes last May, he announced that he was going into a life of chain-smoking leisure and contemplation. Like Judge Trintignant, he realises that truth is a desperate thing to keep chasing; and that curiosity about human beings is not necessarily an honest virtue, just as often it may be, or may become, a sleazy addiction.

Trintignant, *deep in the book*-lined villa where the film's student/fashion-model heroine (Irene Jacob) first finds him, after she has injured his Alsatian dog in a car collision, spends his days tapping into neighbours' phone calls. Like a movie-maker he flirts with omniscience. He knows of the next-door husband's guilt: "Sooner or later he'll jump out of a window and his wife will know everything." He knows too about the *blonde girl who is* two-timing her young lawyer boyfriend, who happens to live near Jacob herself.

A few scenes later, prompted by our heroine's virtuous indignation, Judge Trintignant *reveals his* crimes to the cops and the newspapers. Enough with the hi-tech voyeurism, he seems to say. And is Kieslowski saying the same?

Three Colours Red rounds off the Polish film-maker's *tricouleur* trilogy with this essay on fraternity. The movie, like the Judge, often seems tired. Many of the metaphysical Kieslowski twitchings were displayed to better effect in *Blue*.

This goes for the obsession with parallel lives. Is Mlle Jacob's young lawyer neighbour mystically re-living Trintignant's life, right down to exact, reverberant incidents like the dropping of a pile of exam books in the street? It also goes for the director's fondness for *deus ex machina* wrap-ups. In *Red* we have a hideously glib ending in which a cross-channel ferry is sacrificed to bad weather so that six people can survive to reveal themselves as – yes! – the key young characters from all three trilogy movies. This includes the young lawyer, at last hurled by Fate into Jacob's arms.

Red begins as a movie about communication between people and generations. The opening sequence is a dazzler: camera snaking at high speed along phone cables as they plunge through earth and then under the sea. And thereafter the film's title colour is picked out in each scene, warmly, brilliantly, like a electronic beacon between strangers and ages.

But midway through the film we start to get an empty, hungry feeling. Surely Kieslowski and regular co-writer Krzysztof Piesiewicz have forgotten something vital: to put real people into this story. Where past heroines – Juliette Binoche in *Blue*, Irene Jacob in *The Double Life Of Veronique* – were tortured, touching souls grappling with the tragicomedy of everyday life, no one in *Red* lives and breathes except as illustrations to a thesis. That thesis is: Everything, for good and ill, connects.

Trintignant's Judge is the sacred and profane side of our Neighbourhood Watch epoch: satanic, he snoops; God-like, he can confer happy endings. Jacob's leggy, open-hearted model is a sort of Miss Perfect Human Communion 1994. And the setting is Geneva, world capital of brokered harmony. In the Kieslowski cannon the jagged realities and loose nerve-ends of *Blue*, and the song-without-end mysticism of *Veronique*, have been put away for this too, too neat last testament. *Red* shows that even lives that do not naturally connect can be forced into harmony by a little hi-tech hot-wiring mixed with supernatural benison.

But every film industry likes to compel human unions when it cannot germinate them naturally. Each film this week is a variant on that oldest coercive formula of all: Boy Meets Girl.

Nicholas Kazan's *Dream Lover* is a directing debut by the screenwriter of *Patty Hearst* and *Reversal Of Fortune*. So we expect a few frissons amid the amatory fol-de-rol. Boy (James Spader) meets girl (Madchen Amick); then boy starts to wish he had not met girl when Amick shows signs of deceit, infidelity and a hidden past. Boy ends up in a mental asylum hatching murder plots.

While ambiguity thrives, the film has a wicked wit. Kazan lets Spader get ever more lost amid the chic white spaces of his home and office – he is an architect (but, ah irony, not of his own destiny) – while Amick's dream-bride beauty becomes ever more sinisterly blanched and iconic. For 80 of its 103 minutes, we are guessing, fretting and chewing the nearest set of fingernails. But the ending is a disaster: a surrender to thriller cliché that should be stamped like a black spot on Kazan's directing CV, to warn future employers.

In Rory Kelly's *Sleep With Me*, boy (Eric Stoltz) meets girl (Meg Tilly); boy marries girl; boy then discovers that second boy (Craig Sheffer), his longtime friend, has raging passion for girl. We move into a Jules and Jim syndrome, California-style, in which kooky triangular fun alternates with moments of semi-murderous intent.

Six scriptwriters, including Neal Jimenez (*River's Edge*) and Roger Heddon (*Bodies, Rest And Motion*), each worked at different story sections: which explains why the film feels like a game of consequences played out by the students of a creative writing class. Some innocent-seeming scenes are sharp as a paper's edge. Others, notably the rambling "confessions" to video camera during a long barbecue sequence, are as blunt as yesterday's writing ideas that you balled up and threw into the WPB.

THREE COLOURS RED (15)
Krzysztof Kieslowski

DREAM LOVER (18)
Nicholas Kazan

SLEEP WITH ME (18)
Rory Kelly

FLESH AND BONE (15)
Steve Kloves

IT COULD HAPPEN TO YOU (PG)
Andrew Bergman

Do watch, though, for a funny cameo by Quentin Tarantino as a party guest deconstructing *Top Gun* as a gay fable.

As for *Flesh And Bone*, what ever high-concept story conference produced this? Boy (Dennis Quaid) meets girl (Meg Ryan). Boy, we learn, is the grown-up ex-accomplice of a violent burglar father (James Caan) who shot to death the girl's family when she was a baby. So the stage is set – or the flat, moody, infinite Texas landscape – for a flat, moody, infinite film. The slow incubation of revenge shares screen time with the grimly inert "lerve" story at the centre.

It feels like a bad O'Neill play staged by a community theatre company: one of those outdoor productions where the audience has to keep moving its chairs around. Now we are watching everyday small-town life as it is clumped through by Quaid, a man of few words and none of them interesting. Now we are out in the cornfields with Ryan, wondering why the talented star of *Sleepless In Seattle* took on this rewardless, one-note role. Ah, yes; of course. She is married to Quaid.

Dynastic connections are important in Hollywood. *It Could Happen To You* is a romantic comedy starring Nicolas Cage, nephew of Francis Coppola, and Bridget Fonda, daughter of Peter, and directed by Andrew Bergman, son of Ingmar: if only.

Ingmar should have taken over this film and given it teeth and mania. Boy (policeman) meets girl (waitress). Boy, in lieu of tip, promises girl half whatever he wins on a lottery ticket. Boy wins lottery. Boy wins girl. Boy's wife (Rosie Perez) promptly goes berserk, which provides the only comedy in a film so thick with anodyne, lolloping romance that by the end we are crying out for one of those murders so generously on offer in the week's other movies.

Concert/**David Murray**

Rostropovich plays Shchedrin

On Tuesday, thanks to a London Symphony commission made possible by Sir Jack and Lady Lyons, we heard Mstislav Rostropovich in the world première of a cello concerto, a "Sotto voce concerto". The composer Rodion Shchedrin, now 62, is (slightly) known in this country for his ballet *The Little Humpbacked Horse* and for his ballet-adaptation of *Carmen* – *not sotto voce* music at all. His new concerto has been brewed in quite a different samovar.

It is whispery, nostalgic, evocative; and highly personal, in the double sense of intimating things close to the composer's heart, and of being specifically conceived for Rostropovich's rare powers. The solo instrument is rarely silent, but mostly muted, even in the huge cadenza that leads to the Finale. The full orchestra is used very sparingly: the most prominent sounds are those of three soft, intertwined flutes – and of all the other cellos, generally *divisi*.

A solo recorder lends a pastoral note, for Shchedrin is thinking of his childhood in "the sleepy tiny *little place of Alexin on the Oka*", in Tolstoy country. Most of the material suggests shepherds' songs and peasant rounds, mused and rhapsodised over by the cello with spectral orchestral echoes. Toward the end, quite unexpectedly, the heavy brass come to angry life with rat-a-tat fanfares: war gripping the countryside, perhaps?

Rostropovich wrung "meaning" from every phrase, of course, and we listened compulsively. But despite the best efforts of the conductor Seiji Ozawa, the score sounded awkwardly diffuse for a 37-minute piece: amid so many elusive sounds and colours, we needed more palpable structure, less stop-go. Probably Russian ears can fasten more quickly upon the ghosts of traditional tunes, and maybe discern a development that remained opaque to the rest of us.

As a matter of fact the largest faction in the audience was Japanese, drawn presumably by Ozawa. He conducted a scrupulous Beethoven "Pastoral" too, tame in the peasants' Scherzo but limpid by the stream: pleasant, unmemorable.

Sponsored by Yamaichi

Theatre in London

Alice's Adventures Under Ground

Back we go into the nursery, into the place where we now analyse childhood enchantments in context of disenchanted knowledge of adult life. Can there be one simple reaction to *Alice's Adventures Under Ground*, Christopher Hampton's new adaptation of Lewis Carroll's writings and aspects of his (i.e. Charles Dodgson's) life? On the one hand, since this *Alice* is full of episodes from those classic books, it is a bracing dip back into a sane child's discovery of the nonsensical grown-up world. On the other hand, it is a disturbing study of the stammering, polite, scholarly Dodgson's melancholy fascination with little girls.

Hampton means, I take it, to examine Carroll's creativity in terms of what Edmund Wilson called "the wound and the bow": the wound, in this case, being Dodgson's paedophile inclinations, the bow being the tales he told to his listeners. The wound/bow theory proposes that the spot where some artists are psychologically vulnerable is precisely what gives them their creative genius. In Martha Clarke's staging, there are only five actors, and the overlap between little Alice Liddell's real world and the dream world that Dodgson creates for her is considerable.

Hampton's view of Dodgson/Carroll is *compassionate – too much* so. The bow only interests him as far as it reveals the wound, and many of the books' multi-faceted quotations are so placed that we read them in terms of Dodgson's private feelings. "Seven and a half! Uncomfortable sort of age. If you'd asked my advice, you'd have left off at seven." We also watch Dodgson start to cry as he slowly unbuttons little Alice's dress.

But Carroll's own mind, for all its pathos, is weak tea beside the intoxicating concoctions of his tales. Though *Alice's Adventures Under Ground* is sensitively shaped, its eventual thrust is merely sentimental. And sentimentality, surely, is wrong for the man who made Alice cry out "You're nothing but a pack of cards!"

Robert Israel's nursery set is eloquent: one look at its rocking-horse, its white walls, its large dark looking-glass above the mantel, and we are prepared for meanings both surreal and psychological. John Carlisle, Gabrielle Lloyd, and Joseph Mydell play a marvellous range of supporting roles. Martha Clarke has them act with a fine dash of exaggerated intensity.

Sasha Hanau would be an ideal Alice – grave, focused, precise, responsive – if she did not gabble rapid lines. Michael Maloney (despite overdoses of vocal virtuosity) *beautifully creates* a Carroll/Dodgson of immense courtesy, birdlike staccato head movements, and eyes both burning and pleading. He is adult among children, child among adults. Judiciously, *Hampton and Clarke have him play* his own Dormouse.

Alastair Macaulay

In repertory at the Cottesloe Theatre, South Bank, into 1995.

'Romeo' from Tel Aviv

The large sculpted horse that is the only prop in Rina Yerushalmi's production of *Romeo and Juliet* looks rather startled – as well he might. As a symbol of escape, he is to carry the burden of the tragedy on his back: Romeo and Juliet meet on him, act out the balcony scene on him, and cling to him desperately as things go wrong. It is a simple device, yet a surprisingly eloquent one, and typical of this beguiling production from Tel Aviv.

This, the second *Romeo and Juliet* in the *Everybody's Shakespeare* season at the Barbican, is very different from the stark German production that launched the festival last week. Where the German production on the main stage was long and large scale, the Israeli one, staged in the Pit, is intimate and condensed; where that production focused on the confrontation in the play at the expense of the romance, this one emphasises the theme of love, at some cost to the violence; and where the first one created a bleak and harsh world, the second is soft, beautiful and sometimes bewildering.

The mood of the piece even seeps out into the foyer. As the audience collect their tickets, a pair of masked lovers wander among them, looking rather lost. Inside, half-masked actors in black cloaks pad about the auditorium, smiling tantalisingly at the audience and addressing them, somewhat mystifyingly, in Hebrew. Soft music and *subtle lighting suffuse the theatre* in the languorous atmosphere that will permeate the production.

Yerushalmi's intent, as she explains in the programme, is to use the language of theatre to capture the intoxicating feeling of being in love. She builds to some extent on *commedia dell'arte*, which helps to establish the mischievous, inventive mood of her production. The actors, dressed as a group of strolling players, are inspired by the Chorus to perform the play and act out the opening brawl in playful spirit. As they and the audience are sucked into the story, however, the mood changes.

Once Romeo and Juliet have met, the play is compressed to the main moments. The central Romeo and Juliet remain on stage while other members of the cast speak their lines or perform their actions. This suggests the engulfing nature of love and its ability to distort perception. It works wonderfully in places. As the couple part after their night together, the main Romeo and Juliet stand wrapped around each other in mute adoration, while another couple speak their thoughts. And when Juliet visits Friar Laurence for the potion that will put her to sleep, four actresses creep around the stage in the flickering light, each totally wrapped up in her task. This may sound bizarre, but on stage it works, emphasising both the universality and the loneliness of passion.

There is a price to be paid for this conceit. Sometimes it is confusing, sometimes it just seems tricksy and throughout it sacrifices the continuity of character that would help you empathise with Romeo and Juliet and experience their tragedy. The production also gives little hint of danger – the fight between Tybalt and Mercutio is a rather stagey affair. But there are some purely enchanting moments – to portray the ball, for instance, the actors simply file softly onto the stage carrying sparklers and surround Juliet in flickering light – and the whole production is performed with such charm, lilt and gentleness by the Itim Theatre Ensemble that it is hard to resist.

Sarah Hemming

Continues to November 12 at the Pit (071 638 8891).

INTERNATIONAL ARTS GUIDE

■ ATHENS

Megaron Tonight, Sat: staged production of Poulenc's La voix humaine, starring Jeanne Pilou. Sun: first of five guest performances by Bolshoi Ballet. Nov 19: *Sherrill* Milnes song recital. Nov 21: François Le Roux (01-728 2333/ 01-722 5511)

■ BOLOGNA

Teatro Communale Mon: Roberto Cominati piano recital. Next Wed (Palazzo del Congressi): Lindsay Kemp dance programme. The opera season opens on Nov 26 with a new production of Rossini's Il turco in Italia (No telephone bookings. Information: 051-529999)

■ GENOA

Teatro Carlo Felice Tomorrow, Sat afternoon: Yoram David conducts works by Shostakovich and Dvorak, with cello soloist Mischa Maisky. The opera season opens on Dec 2 with Der fliegende Holländer (No telephone bookings. Information: 010-589329/010-5381 225)

■ LONDON

THEATRE

● True West: Matthew Warcus directs Sam Shepard's drama about two battling brothers in the Mid West. Opens tonight for a three-week run (Donmar Warehouse 071-369 1732)

● The Tale of Lear: Suzuki Company of Toga presents its Japanese version of King Lear tonight, tomorrow and Sat, as part of an international Shakespeare season. Nov 16-19: Peter Sellars' Chicago production of The Merchant of Venice transports the play to Venice, California, a turbulent *melting* pot of racial diversity (Barbican 071-638 8891)

● Hamlet: the Globe Theatre has re-opened as the Gielgud with Peter Hall's new production of Hamlet, starring Stephen Dillane, Michael Pennington, *Donald Sinden, Gwen* Taylor and Gina Bellman (Gielgud 071-494 5065)

● Three Tall Women: Edward Albee's critically-acclaimed Pulitzer Award-winning play stars Maggie Smith, Frances de la Tour and Anastasia Hille, directed by Anthony Page. Now in previews, opens Nov 15 (Wyndham's 071-369 1736)

● The Prime of Miss Jean Brodie: Patricia Hodge takes on the role of the formidable schoolteacher whose mix of romance and wilfulness inspires her pupils (Strand 071-930 8800)

● A Passionate Woman: Ned Sherrin directs a *new production* of Kay Mellor's play, first seen at the West Yorkshire Playhouse last year. Stephanie Cole stars as the housewife whose passion for life breaks out to the horror of her family. Just opened (Comedy 071-369 1731)

● Moscow Stations: a one-person play, starring Tom Courtenay, inspired by Venedikt Yerofeev's acclaimed modern Russian tale about an alcoholic who stumbles and dozes his way through a series of surreal adventures (Garrick 071-494 5085)

● The Seagull: Judi Dench's Arkadina heads a splendid cast in Pam Gems' new version of Chekhov's play about disappointed aspirations. In repertory at the National with The Devil's Disciple, Bernard Shaw's 1897 satire on melodrama, and Racing Demon, David Hare's play about tensions in the contemporary Anglican Church (National, Olivier 071-928 2252)

● She Loves Me: the charming 1963 Masteroff, Bock and Harnick musical about two longtime pen pals *who don't know they work in the* same parfumerie. Ruthie Henshall and John Gordon Sinclair head the cast (Savoy 071-836 8888)

OPERA/DANCE

Covent Garden The Royal Ballet gives the first performance tonight of its Ashton celebration, including a new production of Daphnis et Chloe designed by Martyn Bainbridge and conducted by Bernard Haitink (repeated Nov 11, 14, 16, 21, 28, 30). Anthony Dowell's new staging of Sleeping Beauty can be seen on Nov 18, 19, 23 and 26, with further performances in December. The *Royal Opera has Roméo et Juliette*, staged by Nicolas Joel and conducted by Charles Mackerras, with cast led by Roberto Alagna and Leontina Vaduva (Nov 12, 15, 17). A new production of La traviata opens on Nov 25 (071-304 4000)

Coliseum English National Opera's current repertory consists of Ariadne auf Naxos starring Jane Eaglen, and Nicholas Hytner's staging of Die Zauberflöte. The next new production is Khovanshchina, opening Nov 24 (071-836 3161)

Sadler's Wells Northern Ballet Theatre presents Christopher Gable's touring production of Cinderella, music by Philip Feeney. Daily except Sun till Nov 19 (071-278 8916)

CONCERTS

South Bank Centre Tonight, Sun: Nikolaus Harnoncourt and the Philharmonia Orchestra bring their cycle of Beethoven symphonies to a conclusion. Tomorrow: Yuri Temirkanov conducts RPO in works by Berlioz, Rakhmaninov and Grieg, with piano soloist Nikolai *Demidenko. Tomorrow (QEH)*: Birmingham Contemporary Music Group presents Stockhausen's Momente. Sat, Mon: Maurizio Pollini plays the Schumann Piano Concerto with the London Philharmonic. Sun (QEH): Chelsea Opera Group presents concert performance of Smetana's The Brandenburgers in Bohemia. Tues: Igor Oistrakh plays the Tchaikovsky Violin Concerto with the Brno State Philharmonic Orchestra. Tues (QEH): Academy of St Martin in the Fields plays baroque music. Wed: Bulgarian State Female Choir. Wed (QEH): Elkie Brooks. Wed (Purcell Room): Leontyne Price *introduces recordings and films of* her career (071-928 8800)

Barbican Tomorrow: Markus Stenz conducts London Sinfonietta in the first of a series of Schnittke concerts. Sun, next Tues: Mstislav Rostropovich, Yuri Bashmet and Gidon Kremer join London Symphony Orchestra in an all-Schnittke programme (071-638 8891)

■ MADRID

Teatro Lirico La Zarzuela A zarzuela double-bill, consisting of Tomas Breton's La Verbena de la Paloma and Federico Chueca's El Bateo, opens on Sat for a three-week run (01-429 8225)

■ MILAN

THEATRE

The third European Theatre Festival takes place between November 16 and December 18. It opens with Bob Wilson's Paris production of Virginia Woolf's Orlando. The Piccolo Teatro presents a new Strehler production *of Marivaux's* The Island of Slaves. The UK is represented by the Royal Shakespeare Company (Henry VI directed by Katie Mitchell) and the National Theatre (Christopher Hampton's new Lewis Carroll adaptation, Alice's Adventures Under Ground, directed by Martha Clarke). Other visitors include companies from Berlin, Stockholm, Barcelona, Cracow, St Petersburg, Budapest and Bucharest (02-861897)

LA SCALA

Tonight: Kenneth MacMillan's Manon. Nov 14, 16, 17: Riccardo Muti conducts the Scala orchestra in *a Mozart programme*, with piano soloist Murray Perahia. Nov 21: Teresa Berganza. Dec 7: opera season opens with Die Walküre (02-7200 3744)

■ PRAGUE

Rudolfinum Tonight, tomorrow: Jiri Belohlavek conducts Czech Philharmonic Orchestra in works by Ravel, Hummel and Hindemith, with bassoon soloist Frantisek Herman. Tues: Bohemia Saxophone Quartet. Next Wed: Czech Chamber Orchestra plays works by Martinu, Reicha, Dvorak and Janacek, with cello soloist Mikael Ericsson (02-2489 3352)

■ ROME

Vladimir Spivakov conducts the Orchestra dell'Accademia Nazionale di Santa Cecilia on Sat, Sun, Mon and Tues in a programme of Vivaldi flute and violin concertos. The orchestra's programme in the pre-Christmas period features Arturo Bonucci and Cecilia Gasdia as soloists, and conductors Christian Thielemann, Gennady Rozhdestvensky and Carlo Maria Giulini. All concerts take place at the Auditorio di Via della Conciliazione (06-6880 1044)

■ TURIN

Teatro Regio A new production of Donizetti's La fille du régiment opens next Tues, conducted by Bruno Campanella, staged by Luca Ronconi and sung in French by a cast including Eva Mei/Laura Claycomb and Giuseppe Sabbatini/ Jorge Lopez Yanez. Repeated Nov 18, 20, 22, 23, 24, 26, 27, 29, 30 (011-8815 241)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

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SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Trapped in a protectionist world

BOOK REVIEW

THE TRAP
By James Goldsmith
Macmillan, £7.99, 214 pages

The world is seeing a new breed of pluto-populist. Men of vast wealth don the mantle of outsiders struggling nobly on behalf of the little people. In the US, there is Ross Perot. In Italy, there is Silvio Berlusconi. Now there is the Anglo-French Sir James Goldsmith, recently elected to the European parliament on an anti-Maastricht and anti-Gatt platform.

Sir James is not just a talented businessman who has accumulated a fortune. He sees himself as a philosopher. "Global free trade, intensive agriculture and nuclear energy" are, along with the modern welfare state and Maastricht Europe, the main targets of his assault. This unholy trinity has "profoundly destroyed our social stability". They are also "pure products of the enlightenment and as such are venerated by modern conventional wisdom", the latter synonymous, for Sir James, with error.

The book takes the form of conversations with Yves Messarovitch, editor of the economics section of Le Figaro newspaper. Messarovitch asks bland questions. In return, Sir James pours forth a torrent of opinions. He is against the Gatt, intensive agriculture, nuclear power, the universal welfare state, the Maastricht treaty, the technocratic "nomenklatura" that runs Europe, science "separated from the ethical and the spiritual", and the enlightenment.

He is in favour of "families, communities, cultures and traditions": regional free trade among countries that "are reasonably similar in terms of development and wage structures", with "mutually beneficial" bilateral agreements between them; a Europe of nations; a common (but not single) European currency; a social safety net; and participatory democracy.

It is tempting to dismiss all this as the vapours of a self-publicising crank. That would be a mistake. These views matter: first, because they articulate a perfectly understandable dismay at the modern world; second, because a bit of what he says makes sense; third, because he also offers dangerous solutions that may attract an army of adherents; and, finally, because he has the means to ensure his ideas will not go away.

Take his assault on free trade. Sir James argues that "the damage [Gatt] will inflict on the communities of both the developed world and the third world will be intolerable". For the former, the peril is mass unemployment as "4bn people enter the same world market for labour and offer their work at a fraction of the price paid to people in the developed world". But, he argues, "the application of Gatt will also cause a great tragedy in the third world".

Yet the main cause of unemployment in industrial countries is not trade with the developing ones. Such trade has merely added something – there is no agreement how much – to the pressures created by technology upon a rigid labour market. It is also untrue that labour costs are decisive in determining competitiveness. Differences in labour costs reflect differences in average productivity between countries. Nor are these differences surprising: investment per person in Germany, for example, is 25 times as large as in China, which is why Chinese labour is cheap.

Protection, even of labour-intensive manufacturing, is a grotesquely inefficient means of promoting employment. What is too rarely understood – it is not by Sir James – is that a tax on imports also taxes exports. Import-competing industry would expand, but export industry would shrink. Even in import-competing industry, labour-replacing investment would continue and the tendency towards a steady decline in the jobs supplied by manufacturing would in no way abate. This depends on the growth in demand for manufactures, on the one hand, and productivity increases, on the other.

Above all, if we are concerned about unemployment and the distribution of the gains from growth, the best and most politically honest policy is direct, rather than indirect, assistance to the workers. The combination of greatly improved education and training, generous employment subsidies and income transfers is both the best and the right policy. It is superior to protection, except politically.

More surprising than arguments for protection in industrial countries is the view that free trade threatens the third world, too. "It is the elites who are in favour of global free trade. It is they who will be enriched," asserts Sir James. So the industrial countries can pull up the drawbridge against third world exports in the comfortable knowledge that it is, thereby, doing the poor good.

Countries all over the former third world have become more liberal and more outward-looking in their trade policies. The obvious question is why. The answer is that they have tried the very policies recommended by Sir James, with disastrous results. The only path of development that has worked has been specialisation on the basis of comparative advantage, particularly when that advantage is in labour-intensive manufactures.

The industrial world has not, as Sir James insists, imposed its model on a reluctant third world full of happy peasants. Nothing stops a country from closing itself off: China tried; Burma is still trying. The reason these attempts have failed is that the vast majority of men and women want the prosperity the west offers. In fact, they want a tiny fraction of what Sir James already has.

Sir James alleges westerners believe "any community which resists the absorption or destruction of its culture by the west is a threat to peace". I, for one, do not. What is indeed a threat to peace is the view that the industrial countries are entitled to deprive billions of people around the world of the mutually beneficial trade that is their best hope for some prosperity.

Martin Wolf

Struggle at the airport gates

Paul Betts on the row over state aid for airlines ahead of the complete opening of Europe's skies in 1997

Europe's airline barons are putting up a fight. The loss-making flag carriers, and the states that own them, are proving as determined to protect themselves from market forces as the European Commission is to unravel the closed and subsidised airline industry.

The result is a game of ploy and counterploy, as governments try to delay the introduction of competition and extend the life and amount of state subsidies, ahead of the complete opening of European skies in 1997.

The Commission launched its three-stage liberalisation policy in 1986, forcing European governments to abandon the heavy regulation that had protected their carriers from competition, but kept many air fares artificially high.

When deregulation is completed in three years time, all EU airlines will be able to fly wherever they choose within the single European market, and operate internal services in other EU countries. The Commission is also proposing to break up the ground handling monopolies at many European airports.

For the Commission, the challenge has been to resist pressure from governments to approve large subsidies for ailing national carriers to help them cope with liberalisation. The Commission agreed this year that financially troubled flag carriers should be allowed one last injection of state funds only where it was tied to a meaningful restructuring programme.

But Brussels since appears to have capitulated to the big state carriers and their government owners. In July alone, the Commission approved state aid totalling $7.1bn to three airlines including Air France, TAP of Portugal and Olympic Airways of Greece. These aids were equivalent to 45 per cent of the total losses of $15.6bn that western airlines have accumulated on their international scheduled services in the past four years.

Seven airlines – British Airways, KLM, SAS, Air UK, Maersk, TAT and British Midland – and the British government are now contesting the Commission's approval of a FFr20bn state aid package for Air France. The subsidy is "grotesque", says Sir Michael Bishop, the British Midland chairman. "It is almost equal to the entire losses made by world airlines last year".

But subsidies are not the only source of friction. There has been a bush war in France over the opening to competition of Orly airport, south of Paris.

The French transport ministry, last month, limited the total number of take-offs and landings from the airport, which is a stronghold of Air France and its domestic partner airline, Air Inter, to the current level of 200,000 flights a year, on environmental grounds. Many in the industry suspected the motive was to prevent any rapid expansion of competition at Orly.

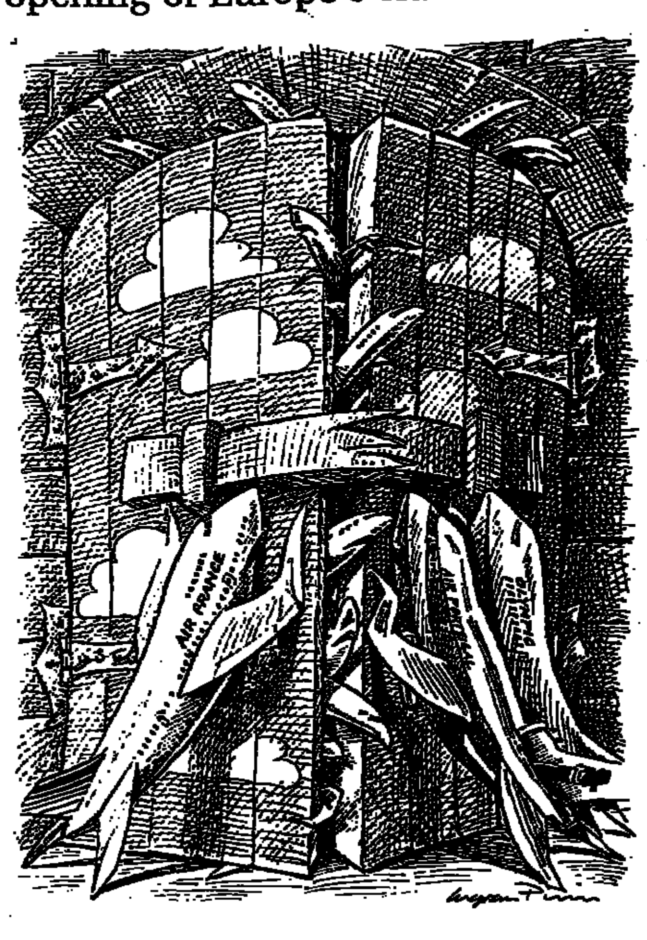
The European Court of Justice recently ordered the French government to allow other airlines immediate access to the lucrative domestic routes to Toulouse and Marseilles that have long been the monopoly of Air Inter. The transport ministry responded by announcing that competing services could only start in January.

In June, the French government was forced to grant rights to British Airways and its French affiliate, TAT, to start flying between Orly and London. This dispute almost blew up into an all-out confrontation with the British government and the European Commission. And even after reluctantly agreeing to the Orly flights to London, the French government imposed a cap of four daily services on the route.

Undeterred by these setbacks, the government this month frustrated KLM's plans to start services between Amsterdam and Orly by refusing to grant the Dutch carrier landing rights, prompting KLM to ask the European Commission to intervene.

The French transport ministry says its aim is to achieve fair and healthy competition, but concedes that competition on these routes would cut Air Inter's market share and aggravate losses at the airline.

Last month, Air Inter warned of expected losses of about FFr100m this year. Its partner, Air France, is engaged in a restructuring plan to cut losses of FFr8.5bn last year and return the group to profit by 1997.



"The problem is not technical, but political, in the sense that every French minister of transport has for so long considered himself the minister of Air France," said Mr Lofti Belhassine, president of the small French independent carrier Air Liberté. "The French government has no right to impose additional hardship on its citizens by avoiding competition, which is here to stay. There is still a feudal system in France, but the writing is now on the wall."

The stakes are high not just for Air France and other state-owned carriers, but also for the European Commission and its efforts to liberalise European air transport.

There has been a rush of alliances and partnerships between large and small carriers in Europe to strengthen their hand in a deregulated market. But many governments are proving reluctant to give up sovereignty over their airspace while they are funding inefficient national carriers, which are important sources of employment and political patronage.

In addition, government subsidies to European national carriers are running at $10m a day, according to Mr Herman De Croo, chairman of the European Commission's independent committee of "wise men". Set up last year, the committee's brief is to draw up recommendations on the future of the European airline industry. "The tragedy of it all is that when the economy is improving, air transport is on the upswing, and most big airlines are finally making money, a hard core of state-owned majors appear unable to take any medicine at all," notes Mr De Croo.

The danger is that a two-class airline industry will emerge in Europe. "The first involves airlines which have had to solve their problems on their own: the second includes airlines which continue to defy the laws of economics and have enjoyed a bumper year for subsidies," says Mr Robert Ayling, managing director of British Airways. For the BA executive, state aid is a test that the Commission has so far "dramatically failed and done lasting damage to its reputation".

A Cranfield University study on airline efficiency confirms that privately or partially privately owned carriers are performing best in Europe while state-owned carriers are at the bottom of the league. In his legal challenge against the Air France subsidy, Mr Brian Mawhinney, the UK transport secretary, emphasised that government handouts removed the incentive for state-owned airlines to become efficient and adopt a sound commercial approach.

Even if the European Court action does not succeed in overturning the Commission's approval of the Air France subsidy, it has unsettled the regulators. "If nothing else, this legal challenge is likely to stiffen the Commission's spine and toughen its attitude over future applications for state aid," one Brussels official said.

The consumer is also emerging as a force for change in European air travel. "We used to think that liberalisation would create the environment to change," said one airline executive. "We now believe the customer will. The customer has less loyalty to flag-carriers than governments have."

And despite the last ditch resistance from the barons, the industry does seem, finally, to be getting the message. As Mr Pierre Jeanniot, the director general of the International Air Transport Association (IATA), told last week's annual meeting of the 222 member airline trade organisation: "The need for profitability is paramount. Without it air transport will either die, as did maritime passenger transport, or become a political football in a game of subsidies, as with the railways."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Whole new meaning in Peter Pan

From Mr H L Benjamin.

Sir, Reading the arts and entertainment pages of the FT these days is to enter a whole new world.

As a child, I was taken regularly around Christmas time to see the play of *Peter Pan*, which was a wonderful afternoon of escapism for us all.

Of how much more it had to offer I have only now been made aware. The hook of the pirate captain was a phallic symbol, says Jackie Wullschlager (Arts: "The truth behind Wonderland", October 31). No mention is made of the Red Indians, but they each had a tomahawk, did they not? Later, I was taken to see *Treasure Island*, which I equally enjoyed, completely missing, I suppose, the significance of Long John Silver's wooden leg.

Once one catches on to the idea, one's horizons are limitless. Contemplate the skyline of any modern city; the mind boggles at Canary Wharf!

H L Benjamin,
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London SW3

Better than good works

From Dr Ilse Kracke.

Sir, James Morgan got it all wrong in his article about presidents and cardinals ("All the president's cardinals", November 5). It was precisely Martin Luther who emphasised the importance of belief, *not* works. He had observed how "good works" were done by many people just to earn themselves a little throne in heaven, not in order to help others, and he detested the then fashion to pay others to do the "good" works for you in order to achieve that aim. All that really mattered was believing in Christ's word – all the rest would follow.

To start from the wrong historical premises would make one have grave doubts about the conclusions in the article... Oh, Financial Times, stick to your finances!

Ilse Kracke,
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Quest for monetary credibility

From Mr Daniel P McLaughlin.

Sir, The Bank of England appears to have greater weight in the setting of interest rates, a change designed to enhance the "credibility" of monetary policy in the UK ("Bank reports improved outlook on inflation", November 2). The search for "credibility" also extends to the idea of a "pre-emptive" rate rise, designed to tighten policy at an early stage in the inflation cycle.

Ultimately, the success of the new policy regime will be judged by the path of inflation over the next few years, but one can also form an immediate impression by examining any change to inflation expectations wrought by the regime shift.

Fortunately, a good proxy for expectations of future UK inflation is at hand, in the yield difference between nominal bond yields and the real yield as paid on index-linked stocks.

Unfortunately, the evidence to date suggests the market has yet to be convinced that inflation is well and truly under control. The inflation rate implied by the current yield spread between index-linked and nominal bond yields is some 4.65 per cent, against 3.50 per cent in January. Moreover, this implied expectation is no different now from what it was on September 12 (the date of the first "pre-emptive" tightening).

Perhaps most worrisome of all for the Bank of England is that the level of inflation expectations is virtually twice that of its own forecast of 2.5 per cent. Presumably, true "credibility" will have been achieved when the two forecasts coincide, ideally with the market expectation falling to meet that of the Bank.

Daniel P McLaughlin,
head of fixed interest,
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Ireland

Mixed message of share option trends

From Mr Brian Friedman.

Sir, Alistair Ross-Goobey (Book Review: "Why pay should be linked to success", November 3) writes that there is no place for conventional share options in executive reward.

The truth of Mr Ross-Goobey's comment is widely recognised among larger companies and an increasing number of them are abandoning conventional share options in favour of restricted share plans for their most senior executives.

Many, however, are retaining share options for second tier management and some are using both share options and restricted share plans for senior executives.

There is a mixed message here. If share options are no longer appropriate for senior executives, why are companies retaining them for lower levels of management?

For the future, I believe more companies will push down the restricted share concept to lower levels of management. Indeed, pioneering companies are already looking at phantom restricted stock plans and even phantom management buy-outs at the business unit level. (A phantom plan is one where the cash reward is designed to replicate the actual share price.)

It is almost a truism to say that the only thing that really motivates is ownership – the challenge is to create a structure which encourages managers to act like owners while not leading to internal divisions within business organisations.

At present, there is often too much fog between the efforts employees put in and the rewards that are generated under their equity-based incentive plans.

Winning companies will find successful formulae to dispel the fog and to encourage clarity of vision.

Brian Friedman,
head of compensation and benefits,
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Fully informed decision

From Mr Tony Young.

Sir, An otherwise excellent article on employee relations in BT (Management: "Bad connections at BT", November 7) was marred by suggestions that "the dispute over flexible working was resolved in a private chat between [Michael] Hepher [BT's managing director] and Tony Young, leader of the NCU".

If I, as general secretary, "resolved" the issue with a private chat, what on earth was the executive council doing at its meetings on September 15 and September 20 (the latter continuing until three o'clock in the morning)?

It was debating the resolution of a major industrial issue, which would otherwise have led to massive disruption of BT's operation. My job was to ensure that the executive was able to come to a fully informed decision.

Further, it was able to do this in the most democratic way, and in the most open of forums. This is how trade unions come to decisions: not over cosy chats.

Tony Young,
general secretary,
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In other words

From Mr David Edwards.

Sir, Jim Kelly reports ("Electronic tax return spells end for dreaded form", November 7) Mr John Whiting as saying: "We do need to incentivise our system."

This, I understand, will hugeify the beneficiations to be *obtained* by the electronicisation of our tax returns.

The cost of modifying the English language to accommodate these developments has to be allowed for. Perhaps Dr Marshall of The Oxford Dictionary Group may care to comment.

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FINANCIAL TIMES
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Thursday November 10 1994

The new US prospect

Voting against government is one thing: making it work better is another. The Republican party won its landslide in Tuesday's Congressional elections by campaigning against President Clinton, and against a Democrat-controlled Congress. The fear must be that the new rulers of Congress will bring the same negativism to the job of government.

In the course of a mean-spirited campaign, American voters were convinced that they needed a new Congress, and – to a greater extent than many on either side predicted – that is precisely what they got. Republicans will have control over both Houses of the 104th Congress, for the first time in over 40 years.

For many, the results of the election are a recipe for two years of unrelenting legislative gridlock. The Republicans have only won thin majorities in the House and Senate. The Senate filibuster, a weapon the Republicans have recently used so effectively against Mr Clinton, might well return to haunt them. And Mr Clinton, for his part, might decide to follow a Truman strategy of frustrating his opponents with liberal use of the presidential veto.

It was certainly difficult to see the seeds of congressional and presidential bipartisanship in the campaign. But the very size of the Republican victory provides grounds for optimism. With control in their hands, party leaders such as Senator Bob Dole risk finding it is their turn to suffer from electors' frustrations.

Mr Dole, at least, claims to want to use his new position as Senate majority leader to forge bipartisan coalitions rather than frustrate them. He has sometimes done this in the past, but his own presidential ambitions – and his more stridently partisan colleagues – may prevent him from translating this noble aim into practice.

Important casualties

For the rest of the world, the most important casualties of a failure to achieve bipartisan coalitions will be US trade and budgetary policy. Mr Dole faces a test on the first on November 29, when the "lame-duck" 103rd Congress will finally vote on the ratification of the treaty agreed in the Uruguay round of the GATT.

Mr Clinton will doubtless use his upcoming trade talks in Asia and Latin America to reassure America's trading partners that the country's commitment to free trade has not been dented by recent events. But it is up to Mr Dole to ensure that the treaty gets the required number of Republican votes. Since the "fast-track procedure" for voting on the agreement applies only to the current Congress, a failed vote could signify the death of the treaty altogether. Moreover, it would be the ultimate signal that the US is set to turn inward in the coming years.

Republicans co-operated with Mr Clinton to get the NAFTA treaty passed in 1993. For all the "America first-ism" of many a recent Republican campaign, there must be at least even odds that they will do so with regard to GATT. The odds on a serious attempt to reduce the budget deficit over the next two years must be considerably slimmer.

Fiscal proposals

The Republicans' election manifesto in this area, the "Contract with America" published in September, does not bode well. Like many of the party's past fiscal proposals, it is highly specific on popular policies like middle-class tax cuts and a balanced budget amendment, but vague to the point of near-silence on how the one is to be combined with the other.

President Clinton shares the ambition for a middle class tax cut. But he too has shied away from the specifying the cuts in entitlement programmes like Medicare and Medicaid which would be necessary to pay for such a tax cut.

The Kerrey Commission on entitlement reform, which will report in December, will probably point to the drastic reforms necessary, to reduce the long-term budget deficit, regardless of any further fall in the tax burden. A Congress which was not born of a campaign as steeped in political opportunism as this one might, just might, have used the commission's proposals as a basis for constructive legislation. It is up to the Republicans to decide whether the new Congress can transcend the negativism from which it emerged.

Planning for higher prices

Few things better illustrate the benefits of competition than the recent price war in British retailing. The consumer has enjoyed value for money to a far greater extent than in the consumption-led recovery of the 1980s. Retailers who have kept prices under control have been rewarded with higher volumes and sales values. The wider benefit has come from the powerful restraining influence on prices generally. What is the risk that this virtuous circle may break down?

Producer price inflation is an obvious potential villain of the piece. Yet the fear here may well be exaggerated. The message from Marks and Spencer, which reported interim profits earlier this week, was that its ability to pass on producer price rises is minimal. Other leading retailers have told much the same story. If they are right, producers who face rising prices for raw materials and imported manufactures may simply confront the same choice as the retailers. Either they raise prices and risk an immediate loss of market share; or they join in the competition and hope that increased volume will offset their lower margins.

A more plausible ground for concern lies in the peculiarities of the present disinflationary process. The unexpected price sensitivity of consumers is partly a reflection of recession; also of the stretched state of the personal sector balance sheet after the borrowing binge of the 1980s. Time and the precautionary urge to pay down debt from increased earnings could ultimately lead to a more insouciant consumer attitude towards prices. Yet the most powerful longer-run force threatening the current price discipline probably lies in planning policy.

Price restraint

The present retail price war is to a considerable degree a reflection of oversupply in retail property. This stemmed from a relaxation in the approach to planning consents in the 1980s, particularly in relation to out-of-town shopping centres. Confronted with an unexpectedly liberal environment big retailers were tempted simultaneously to expand. The result was overdevelopment. An excessive number of new outlets contributed significantly to the high degree of price restraint that has marked the economic recovery.

Under Environment Secretary John Gummer this period of liberalisation is drawing to a close. Last week he declared that the balance must be tilted away from out-of-town shopping centres back to the town centre. Henceforth the emphasis in planning will be on the revitalisation of town centres, the building of communities and reduced dependence on the motor car. Shopping malls on by-passes are out of favour.

Local monopoly

Few would quarrel with Mr Gummer's aspiration to enhance the quality of life. But whether his policies will achieve the desired goal is a moot point. The first impact of more restrictive planning will be to reinforce the local monopoly of those out of town retailers who have not yet been subjected to additional competition. It will strengthen the hand of smaller retailers in town who have weak buying power, few economies of scale, high fixed costs and thus a poor capacity to offer discount prices. More generally, a restrictive planning policy will tend to favour the inefficient retailer relative to those better able to deal with competition.

Meantime the new emphasis on town centre redevelopment raises longstanding questions about congestion and the ability to provide adequate car parking space. While Mr Gummer insists that "people want a sensible balance in the siting of shopping centres", the experience of retailers seems to be that people like using their cars.

Either way, if this shift in policy does prove to be more restrictive overall, those retailers and property developers now suffering from the consequences of overdevelopment will be cheering in the aisles. Just as George Brown made fortunes for countless property developers with his 1964 ban on office building in London, so Mr Gummer will have provided large windfall gains to those whose planning consents came through both in time and in the right place.

We are back to the 1960s – or is it the garden-city-minded 1940s? Either way, the consumer will not be a beneficiary.

President Clinton may find a crumb of comfort in his party's heavy defeat in the US mid-term elections, says **Jurek Martin**

Desperately seeking solace

Believe it or not – and after Tuesday's Massacre of the Democrats, it requires some stretching of the imagination – there are serious people arguing that Bill Clinton is potentially in better shape today than since he became president. More remarkably, some of these people are Republicans, whose joy at their victories in the mid-term elections should be unalloyed.

They draw on the lesson of 1948, when President Harry Truman, saddled with a Republican landslide two years earlier, won re-election by campaigning against the "do-nothing Congress".

The contemporary analogy was provided by a senior member of the Reagan administration on polling night: "If the Republicans were to lead the majorities (in Congress) the way they've led the minorities, they would be in trouble. They'd give Clinton a target to run against in 1996 – and though he might not be a skilled chief executive, he sure is a skilled politician. And it is not as if they speak with one voice."

On Tuesday night, even Newt Gingrich, the slash-and-burn conservative Republican from Georgia who stands to be the next Speaker of the House, sounded for the first time a little awed by what lay ahead, promising co-operation rather than confrontation with the White House. He went so far as to speak relatively kindly of his fellow Republican Robert Dole, majority leader in the next Senate who is only occasionally an ideological bedfellow.

The Republican sweep was impressive, with control of the House for the first time in 40 years, of the Senate for the first time in eight, and with at least eight Democratic governors evicted.

Oliver North and Michael Huffington, poster boys of the alienated hard right, lost in Virginia and California and Ted Kennedy won in Massachusetts. But otherwise the cull of famous Democrats was large: Mario Cuomo in New York and Ann Richards in Texas among the governors; Jim Sasser, who might have been the next party leader in the Senate, in Tennessee; Congressmen Dan Rostenkowski in Chicago and Jack Brooks in Texas, past and present chairmen of the ways and means and judiciary committees with 78 years in the House between them.

The biggest scalp of all – of Speaker Tom Foley in the state of Washington – was half-hanging from the belt of a Republican novice, awaiting only the counting of absentee ballots.

Almost all the voter tunes were sung from the Republican hymnbook. The promise of less government and lower taxes helped George Pataki beat Mario Cuomo. Referenda on tax-cutting and limiting the terms of elected officials were passed almost everywhere they were on the ballot.

Most Democrats were out-toughed on the crime issue, with Governor Lawton Chiles's survival in Florida over Mr Jeb Bush a rare exception and Mr Cuomo's defeat the classic proof. Conservative hostility to illegal immigration was endorsed comfortably in California. The rightwing Christian lobby failed to return Oliver North, but did well elsewhere. The gun lobby was instrumental in knocking off Mr Brooks in Texas, accusing him of apostasy on gun control.

A constant national strain, most virulent in the south and its borders, was distrust and a dislike akin to hatred of Mr Clinton himself. Democrats lost in all the states to which the president had devoted his energies in the last week of campaigning – Minnesota, Delaware, Michigan, Pennsylvania and Ohio. Mr Gingrich, it appears, made the right strategic decision in turning the mid-term elections into a plebiscite on the presidency.

But the US still must be governed in the next two years and this is where Republican elation is tempered among its more thoughtful members. The party's "contract with America", effectively its election manifesto, lays out a plan and a 100-day timetable for introducing legislation, but its passage in anything approximating the proposed form may be doubted.

One reason for doubt is resistance to it by moderate Republicans in the Senate (Mr Dole, for one, is still sitting on the fence over term limits). Another is that Mr Clinton possesses a veto and the Democrats enough numbers, if they stick together, to block legislation in the Senate by filibusters, much as the Republicans did in the last session.

Not all will be legislative gridlock revisited. The Republican party's contract demands that the president be given a "line item" budget veto, empowering him to strike out an offending item of spending without throwing out a whole bill. Mr Clinton has no problem with this, since he advocated it in 1992.

Nor will he resist the middle class tax cut demanded by Republicans. This is already in the White House planning stages, though funding it without increasing the federal deficit is another matter.

Welfare reform is a subject on which both parties agree in principle, differing only in detail. Modest healthcare reform initiatives cannot be excluded.

But battles royal can be expected on many other fields – on the proposed amendment to the constitution requiring a balanced budget, for example, and on Republican desires to beef up defence spending. The thorniest problem will be the cutting of federal "entitlement" programmes such as social security and medicare, where the Republican contract promised "gain without pain".

The conduct of foreign policy, and its economic and trade components, will not be any easier, especially if Senator Jesse Helms of North Carolina, the ultimate arch-conservative, exercises his option to chair the foreign relations committee (he has the choice of agriculture). The new "America First" Republican majority in the House features few conventional internationalists and sentiment against US military excursions overseas or involvement in Bosnia, Rwanda and other distant hotspots has increased on the right, complementing its presence on the left.

Just as serious is the weakening of the old Republican free trade constituency that helped pass the North American Free Trade Agreement last year. If the lame-duck Congress does not approve the legislation to implement the Gatt Uruguay Round in three weeks – and it will do so only if enough retiring members vote with their consciences and defy an electorate to which they are no longer subject – its prospects in 1995 look bleak. Other trade initiatives in Asia and South America, both with summits in the next five weeks, could be still-born unless what are perceived as American interests are aggressively protected.

Even if the political will to co-operate proves stronger than expected, mutual animus is certain to increase because the Republicans will use their majorities to make a meal out of Whitewater. The tangled skein of the first family's investments long ago in Arkansas has been off the political screen for the last few months while the special counsel, Mr Ken Starr, goes about his work. But the hiatus will not last.

Mr Gingrich has already promised a wholesale investigation of "White House corruption". But even his zeal is likely to pale in comparison with that of Senator Al D'Amato from New York. He is expected to turn his chairmanship of the banking committee into a standing inquisition not only into Whitewater but also into the president's private life and the suicide in the summer of 1993 of Vince Foster, the close Clinton friend and deputy White House legal counsel.

The US still has to be governed in the next two years, and this is where thoughtful Republicans' elation is tempered

Having helped dispose of Mr Cuomo, the senator's notorious appetite for blood has been whetted. He is likely to find an ally in Congressman Jim Leach of Iowa, another leading Whitewater critic, who stands to inherit the House banking committee from Henry Gonzalez, the president's staunchest protector. Both panels, it must be assumed, will leak like sieves and arrange for televised hearings with maximum exposure.

Further complicating the immediate future is the polarisation of both parties, if anything more acute among Republicans than Democrats. The House may prove monolithic under Mr Gingrich, but there is an influential fistful of Senate moderates – including Bill Cohen of Maine, Nancy Kassebaum of Kansas, Bob Packwood and Mark Hatfield of Oregon, John Chafee of Rhode Island and James Jeffords of Vermont – with committee seniority and a preference for pragmatic over conviction politics.

It also matters that the country is about to enter another election cycle – for the presidency in 1996. Unless there is some awful Whitewater development that sinks public confidence in him irrevocably, Mr Clinton still looks the likely Democratic candidate. If not him, it will be Vice-President Al Gore, bruised though he was on Tuesday by the Republican sweep in his native Tennessee. A challenge cannot be ruled out, either from the left or from the grumpy middle represented in 1992 by Paul Tsongas. But at present it appears unlikely to succeed.

The Republicans, however, are no closer to finding candidates for 1996 than they were before the mid-term elections. All the leading suspects are still around, but Senator Dole will be pre-occupied with congressional management and Mr Gingrich has no known presidential ambitions. Senator Phil Gramm of Texas did his cause good by campaigning mightily for Republican candidates and has assembled a substantial war-chest, but his manner turns as many people off as on.

Lamar Alexander, former cabinet member and governor of Tennessee, has been diligently cultivating the grassroots, as have Dick Cheney, ex-secretary of defence, and James Baker, ex-secretary of everything. The bids, more likely for the vice-presidential slot, from three governors returned on Tuesday – Pete Wilson in California, Tommy Thompson in Wisconsin and William Weld in Massachusetts – have gained in value, while the stock of Christie Whitman of New Jersey remains high.

However, the ideological differences between the above personalities could burst at the seams the "big tent" that the party professes to represent. And some proto-candidates may find it easier to get elected to the White House than win the Republican nomination. One who surely cannot win the nomination because of rightwing opposition but has already put down a marker for the moderates by declaring is Senator Arlen Specter of Pennsylvania.

With the main parties divided or listless and distrusted, an independent candidacy in 1996 remains on the cards. Ross Perot can boast that his endorsements, generally of Republicans, worked (though not at home in Texas with the defeat of Ann Richards).

Mayor Rudolph Giuliani of New York, a nominal Republican who endorsed Mr Cuomo, would have looked better as an independent prospect in 1996 if the governor had won. Now he may be forced into his destiny by taking on his long-term foe Senator D'Amato in the 1998 Senate race. The political right remains the more fertile ground for independents and libertarians and, as in 1992, that is also not necessarily bad news for Mr Clinton because it will divide the Republican vote.

However, the president cannot afford to to sit back and wait. To sacrifice the initiative to the Republican Congress over the next two years would be good for neither his government nor his own political future. He could choose to go veto-crazy, but George Bush's exercise of that power did him no good at all.

Thus the White House watchwords of the moment are of "repositioning" or "relaunching" the presidency. With the economy still in reasonable shape and with foreign policy suddenly fruitful (Haiti, North Korea, the Middle East, Russia, if not Bosnia), Mr Clinton is not without fertile prospects. No less than five foreign trips are on his schedule for next year. If the country, in its isolationist mode, ignores external policy it is a fair bet that Mr Clinton will return to some of the domestic themes that propelled him into office in 1992 – emphasis on personal and community responsibility, tolerance in race relations, for example.

But sooner or later, and all of yesterday's protestations of co-operation notwithstanding, Mr Clinton will surely round on the Republicans running Congress and their record in exercising the power to which they have long been unaccustomed. And that is why some serious Republicans are worried by Tuesday's results.

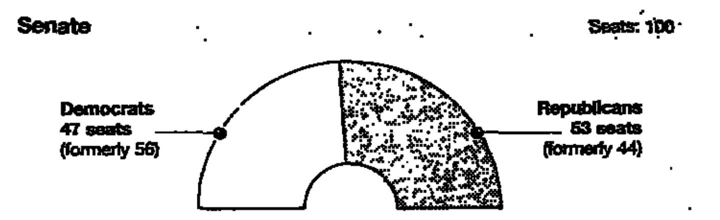
For the overriding lesson of the congressional mid-term elections, as it was to a degree in 1992, is that it is far easier to run against somebody or something than for both. Ask the ghost of Harry Truman.

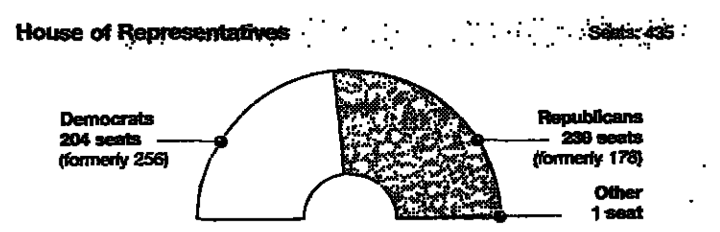
Clean sweep for the Republicans

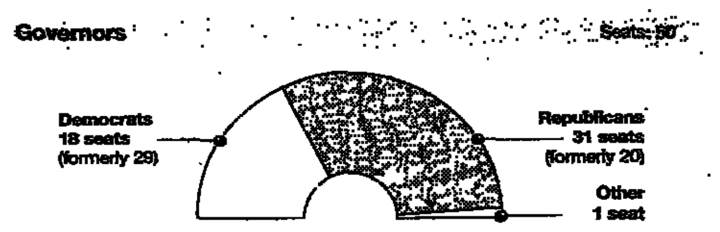
Newt Gingrich, next Speaker of the House

Robert Dole, next majority leader of the Senate

Bill Clinton, president







Figures include some unofficial returns

OBSERVER

Gergantuan problem

■ For Bill Clinton it never rains but it pours. Now he's been deserted by David Gergen, the shrewd 52-year-old spin-doctor who helped presidents Nixon, Reagan and Bush in many a jam.

Gergen is off to teach at Duke University, where his father was once head of the mathematics department. Clinton brought Gergen, former editor of magazine US News and World Report, into the White House in May 1993 to stop the administration drowning in a tide of disasters. Gergen scored: Clinton's approval rating jumped from 37 to 60 per cent in February this year.

But some prophetic words were printed in February this year by The Economist magazine: "Watch the Gergenometer. When it reads 'jump ship', it should be a good indication of when one consummate insider reckons this presidency has peaked."

At Duke, Gergen will be teaching a course in "governing in today's America". He should sign up the Clintons, pronto.

Outposted

■ The remarkable economic progress of Humberside, in the north of England, will be further confirmed today by the final granting of planning permission and funding for a £520m gas-fired power station at Grimsby.

And last year the Humber estuary shifted more than 60m tonnes of cargo, knocking the Thames off its pedestal as the UK's biggest seaborne trading zone, and putting the Channel tunnel's projected 8m tonnes a year into perspective.

So why choose London for the presentation, which is intended to promote business opportunities associated with a new offshore terminal? Humberside county council says about 100 people will turn up for today's beano at the Selfridges Hotel, and that far fewer would bother to travel north.

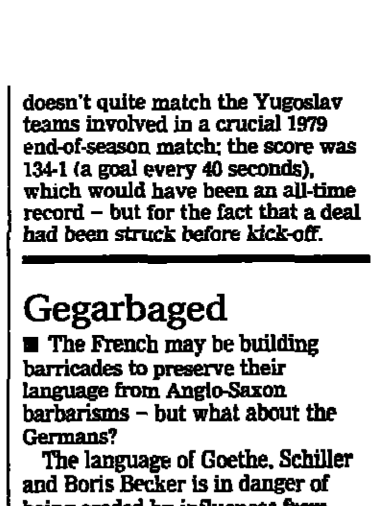
Some confusion here, surely. Those who would travel north – it's hardly a time-zone change – would thus be establishing themselves as genuinely interested in the area. But how many at Selfridges will simply be taking a swift free lunch?

Energetic payer

■ It must say something about Turkey – but what? – that the country's largest individual taxpayer should be Matild Manukyan, doyenne of Istanbul's madams. Last year she was busy enough to justify a $722,751 tax bill.

She went along to an Istanbul chamber of commerce prize-giving ceremony for top taxpayers. But instead of receiving her gold plaque from the hands of president Suleyman Demirel himself, she was fobbed off with the chamber's vice-president.

Did she feel offended? Maybe. But she must be getting used to this kind of treatment – it's the third successive year she has walked off with the prize.



Clinton landslide

Soccer heroes

■ Whatever the outcome of the latest allegations about sleaze in British football, one has to look overseas to find the juiciest scams.

In 1983 Hungary uncovered a match-fixing conspiracy, resulting in 260 players and 14 referees being suspended and 75 people convicted of criminal offences. Even that doesn't quite match the Yugoslav teams involved in a crucial 1979 end-of-season match; the score was 134-1 (a goal every 40 seconds), which would have been an all-time record – but for the fact that a deal had been struck before kick-off.

Gegarbaged

■ The French may be building barricades to preserve their language from Anglo-Saxon barbarisms – but what about the Germans?

The language of Goethe, Schiller and Boris Becker is in danger of being eroded by influences from beyond Europe's mainland. *Gefounded* and *gementioned* – as in "our company was *gefounded*" (founded) or "will we be *gementioned*?" (mentioned) – are two newcomers assaulting sensitive German ears.

Gemanaged is an old one, as are *gehandikapt* and *gekidnappt*. Any suggestions for others? *Gebreakfasted*, *getroubled* and *gesacked* immediately spring to mind.

Muddy machismo

■ Questioning an Argentine's credential as a political prisoner during the "dirty war" is asking for trouble – particularly if he happens to be the president.

Carlos Menem has filed a libel action against one of the country's sparkiest daily newspapers, the leftist Pagina 12, after its editors cast doubt on his claim to have been tortured under the former military dictatorship. On October 30 the paper quoted former prisoners as saying that Menem – who was arrested after a 1976 military coup ousted president Isabel Peron – was never tortured and that he had cried upon being arrested.

Pagina 12 seems undaunted. "What we have here is somebody who is sick in the head. Before we poked fun at him, but now the jokes are becoming monotonous," is the printed riposte by columnist Osvaldo Soriano.

Few prominent libel cases ever seem to reach court in Buenos Aires. But given that Menem hopes to be re-elected in 1995, maybe this one might.

In the pink

■ Another satisfied reader. Last week a rival newspaper reported that Luca Cumani, the Newmarket trainer, used shredded copies of The Times as bedding for his racehorses.

But, he said, if a horse wins a big race, he switches its bedding to the Financial Times – so the winner can read where to put its money. Following the success of Barathea in last Saturday's Breeders' Cup in Kentucky, the bay, whose jockey was clad in pink, is now reported to be enjoying the Pink'un in retirement in Ireland.

FINANCIAL TIMES
Thursday November 10 1994

Early decision on his successor is unlikely

Caretaker world trade role seen for Sutherland

By Frances Williams in Geneva

Mr Peter Sutherland, the director-general of the General Agreement on Tariffs and Trade, is believed to be ready to stay on in a caretaker role as head of the future World Trade Organisation if the contest for his successor remains deadlocked.

Mr Sutherland, whose official term ends in July next year, has stated he will not be a candidate for director-general of the WTO, which is expected to begin work on January 1.

It now appears unlikely that a decision on his successor will be made by early next month, when Gatt members are due to endorse the appointment. This will make it virtually impossible for the new head to start in January.

Although no formal proposal to stay on has yet been made to Mr Sutherland, it is being discussed by trade diplomats anxious to assure a smooth transition from Gatt to the more powerful WTO. However, some officials hope the decision on the choice of WTO chief can still be made by next month.

A third round of consultations among Gatt members on the appointment will be held in Geneva this week.

Trade officials said yesterday they expected the outcome to be a continued three-way split on regional lines between Mr Renato Ruggiero, the EU candidate, Mr Carlos Salinas de Gortari, the outgoing Mexican president who has US and Latin American backing, and Mr Kim Chul-su of South Korea who has Asian support.

Although Mr Ruggiero is ahead numerically, the eventual decision must be made by consensus. Delays in ratifying the WTO and the associated Uruguay Round of global trade accords, the continued stalemate over the next OECD secretary-general and the lack of engagement of the US in the WTO race are all seen as obstacles to consensus.

To these must now be added uncertainty over the outcome of the Uruguay Round vote by the US Congress in three weeks' time. A rejection by Congress would certainly kill the WTO, which could not operate effectively without the participation of the world's biggest trader.

Of Gatt's 124 members, only about 30 countries have so far ratified the world trade pact, and they do not include any of the Quad group of leading traders – the US, the EU, Japan and Canada. Most have been awaiting the US decision.

The mid-term elections and the impending Uruguay Round vote have also kept the US out of the active horsetrading that will be a part of an eventual deal.

Congress and Gatt, Page 4
Gatt chief ready, Page 8

Sweden's PM pledges more jobs if voters back EU entry

By Hugh Carnegy in Stockholm

Mr Ingvar Carlsson, the Swedish prime minister, yesterday stepped up his hard-pressed campaign to win approval for Swedish membership of the European Union in Sunday's referendum, promising an urgent government programme to increase employment if there is a Yes vote.

"Immediately after a Yes in the referendum, the government will formulate a programme to promote more sustainable employment in industry . . . This work will be done in constructive co-operation with the labour market partners," he said in a newspaper article.

Meanwhile, Mr Carlsson and his fellow Social Democratic leaders in Denmark, Finland and Norway issued a joint declaration on Tuesday night asserting that if Denmark's Nordic neighbours joined it in the EU, social democrats would strengthen their influence inside the Union.

The Danish, Norwegian and Swedish governments are led by social democrats and the Finnish Social Democratic party is expected to win a general election next March. Finland has already voted to join the EU and Norway will hold a referendum on November 28.

Pro-EU campaigners have this week urged Mr Carlsson – who celebrated his 60th birthday yesterday – to work harder to win over the many Euro-sceptics in his own deeply-split party to help overcome a strong Swedish anti-EU campaign in Sunday's vote.

The left-dominated No side, which some recent polls have suggested is in the lead, has argued that anti-inflation policies steered by right-of-centre governments in the leading EU countries have been responsible for high unemployment within member states.

The No campaign claimed yesterday that entering the EU could cost as many as 340,000 jobs in Sweden, on top of the 575,000 – more than 13 per cent of the workforce – already unemployed.

It said the financial cost of Swedish membership, coupled with the effect of bringing down value-added tax to EU levels, would eventually force the country into deep public sector cuts.

In his article in Dagens Nyheter, Mr Carlsson countered that the EU was committed in its policy document of last year to working towards lower unemployment. Joining the EU would give Sweden financial stability and encourage investment.

"These are the conditions – reasonable interest rates and a more secure investment climate – that create new possibilities to fight against unemployment. It is these conditions that I quickly want to take advantage of after a positive result in the referendum," he wrote.

THE LEX COLUMN

Capitol confusion

The markets' initial reaction to the Republicans' mid-term triumph was euphoria. In many cases, the rationale was little more than the mantra that Republicans are good for business. In a few sectors, the increases were more justifiable. Defence stocks soared on hopes that traditionally hawkish Republicans could halt the decline in military spending. The effective death of the Clintons' healthcare package pushed up drugs stocks on both sides of the Atlantic, even though its demise will do nothing to ease margin pressures caused by the consolidation of the industry's customer base.

Then reality set in. The risk that Republican isolationists could block ratification of the recent world trade agreement – with all the consequent dangers for the world economy – has increased. Most worrying is that prudent fiscal policy could be sacrificed on the altar of political expediency. With only two years to go before the presidential elections, Mr Clinton and the Republicans could start competing over who can deliver the largest tax cuts. Given that taxes are easier to cut than spending, the budget deficit could once again start expanding. The markets fear that could boost inflation, unsettle bonds and equities and require even larger increases in interest rates.

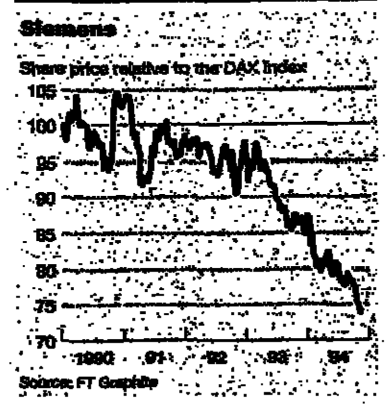
Any hopes that the elections would reduce uncertainty have been unfulfilled. Indeed, yesterday's erratic movements probably represent a harbinger of greater market volatility brought by the Republicans' victory.

Underwriting fees

There has been a hostile reaction to Mr Paul Marsh's report on UK sub-underwriting commissions from some sections of the City. The current system for raising capital through rights issues suits the City very well. Many institutions and merchant banks fear that the OFT-sponsored report will provide useful ammunition for those seeking to move London towards the New York model for raising equity.

But the report does not question the virtues of the rights issue system. It merely argues that the fixed 1.25 per cent commission paid to sub-underwriters provides them with excess returns. Mr Marsh calculates these by using an option valuation method to establish a "fair" price in each case. This is based partly on the historic volatility of a particular share price which his critics argue is likely to change during a rights issue. In fact, the evidence suggests volatility actually falls.

FT-SE Index: 3099.6 (+35.8)



Other criticisms of the methodology are somewhat undermined by the fact that some aggressive investment banks are using similar techniques to price their risks.

If Mr Marsh's case that there are excess returns looks strong, it is less clear what should be done. The authorities could simply force a reduction in the flat rate, though that would still mean strong issuers were subsidising the weak. Issuers themselves could haggle with their advisers and threaten to go elsewhere. In practice, they do not because they are afraid that their plans will leak out. But maybe the conventional wisdom that impending rights issues must be kept secret needs to be challenged.

Siemens

Given the opacity of Siemens' accounting, it is hard to say exactly what caused the worse than expected fall in pre-extraordinary profits in the year to end-September. But the figures undoubtedly reflect poor performance on its enormous investment portfolio, as well as continuing losses at Nixdorf and mounting price pressures in telecommunications.

Greater segmental disclosure – due for the first time in December – will focus the spotlight on the group's structural and operating weaknesses. The details will highlight the fact that tough rationalisation is necessary if Siemens is to improve its lamentable earnings performance and restore its international competitiveness. So far, its approach to cost-cutting and restructuring looks kid-gloved compared with that of international competitors or even other large German industrial companies. The number of domestic employees fell a modest 7 per cent in the past financial year. The decision to sell the US pace-maker business earlier this year was a step towards defining core businesses, but full-scale restructuring looks as distant as ever.

Siemens suffers from the sheer scale of its liquid resources. They cushion the group from the pressures felt by less well-padded groups. The unchanged dividend shows that Siemens is not contemplating giving the money to shareholders. Investors, for their part, should continue to avoid the stock until there are clearer signs that management is getting to grips with Siemens' notoriously stodgy culture.

Cable & Wireless

Cable & Wireless has traditionally enjoyed a premium rating. Investors have been impressed with its strategy of taking cash from its enormously profitable Hongkong Telecom subsidiary and reinvesting it in start-up ventures elsewhere. Yesterday's bad news from Mercury Communications, C&W's largest such investment by far, raises doubts over whether the premium is justified any longer.

The cost cutting announced yesterday is certainly necessary to revive Mercury's fortunes; any regulatory relief on the fees it pays BT for channelling calls over the larger company's network would also be a bonus. But neither will be sufficient to raise Mercury's return on capital, which fell to around 11.5 per cent on an annualised basis in the half year to end-September, to an adequate level. While Mercury puts its house in order, BT is also cutting costs and new competitors are entering the market targeting Mercury's best customers.

If C&W is unable to earn good returns on cash recycled from Hongkong Telecom, a central factor in preserving its premium rating will be the possibility of breaking up the group. Once the market value of C&W's 57.5 per cent stake in Hongkong Telecom is subtracted, there is little value left in the rest of the group's operations. The snag with this argument is not simply that C&W's management has set its face firmly against such unbundling. Any attempt to off-load the Hongkong Telecom stake might so depress its price as to defeat the purpose of the exercise.

Japanese banks condemn rival over savers' lottery

By Gerard Baker in Tokyo

Japan's banking fraternity was divided yesterday when a credit banks' association condemned one of its more ambitious members for launching a lottery to attract new savers.

On Monday, Johnan Shinkin (Credit) Bank offered a savings account that made depositors eligible for a twice-yearly raffle. In addition to the normal interest rate on the one-year deposit, savers were offered the incentive of cash prizes of up to Y50,000 ($520).

The scheme was a hit with investors. On the first day, the bank collected Y10bn in deposits. And within hours the bank's anxious rivals had cried foul, accusing Johnan of stealing an unfair march on the rest of the sector.

The banks' objection is that the new account breaches a self-imposed rule that institutions will offer only gifts and not cash bonuses as incentives, and that gifts should not exceed Y1,500 in value.

Yesterday the banks' grievance was dignified by Mr Keikichi Kato, chairman of the National Association of Shinkin Banks, who issued an unprecedented censure of Johnan's action.

He said it was "regrettable Johnan was neglecting the association's voluntary rules".

It is very unusual for a financial institution in Japan to break ranks so unapologetically with its competitors, and Johnan's move may herald a more independent approach by the main banks.

Observers were sceptical of the the banks' stated concerns.

A more serious objection seems to be that Johnan has found a novel way to offer a higher interest rate to depositors.

The bank calculates that the average customer has a 3.38 per cent chance of winning a prize, and that the overall effect of the scheme is to offer an extra 0.2 per cent interest to savers.

Last month, the last regulations on interest rates were finally lifted by the finance ministry, leaving banks free to set their own rates for depositors.

But since the changes, most banks have continued to offer remarkably similar rates, and consumer groups have expressed doubt about the strength of their commitment to open competition.

A finance ministry official said that, since the banks' rule is voluntary, the ministry was not in a position to act. But he added: "It is questionable whether it is appropriate for public-spirited financial institutions to set up lotteries in an attempt to gain deposits."

Johnan was unrepentant yesterday. A spokesman said the voluntary restraint was against the spirit of financial deregulation, since it represented "a form of collusion" among the country's banks to deprive customers of the benefits of freer markets.

He dismissed the row as simply "labour pains" at the birth of a new era in the country's financial system.

German TV

Continued from Page 1

Europe's multi-media industry, arguing that it was possible for cross-border deals to take place without individual markets being closed off.

"Television without frontiers can only be accomplished if programme suppliers from other member states are not faced with prohibitive entry barriers in national markets," he said.

US stocks fall after gains

Continued from Page 1

most of their gains. London's FT-SE 100 index closed up 35.8 at 3,099.6, while in Frankfurt the Dax index rose 43.03 to 2,096.47.

Wall Street was concerned that discord between the White House and Congress might lead to legislative gridlock, and that a hard-line Republican leadership could block progress on international trade.

Mr Richard McCabe, chief market strategist at Merrill Lynch, said: "There is a debate on on Wall Street as to whether Republican control of both houses leads to more legislation that is good for the market, or whether it leads to more deadlock."

Mr Hoey said positive effects from the elections would soon fade. "The stock market is left with all the same issues it had before, in terms of the outlook for the economy and the possibility for more Fed tightenings."

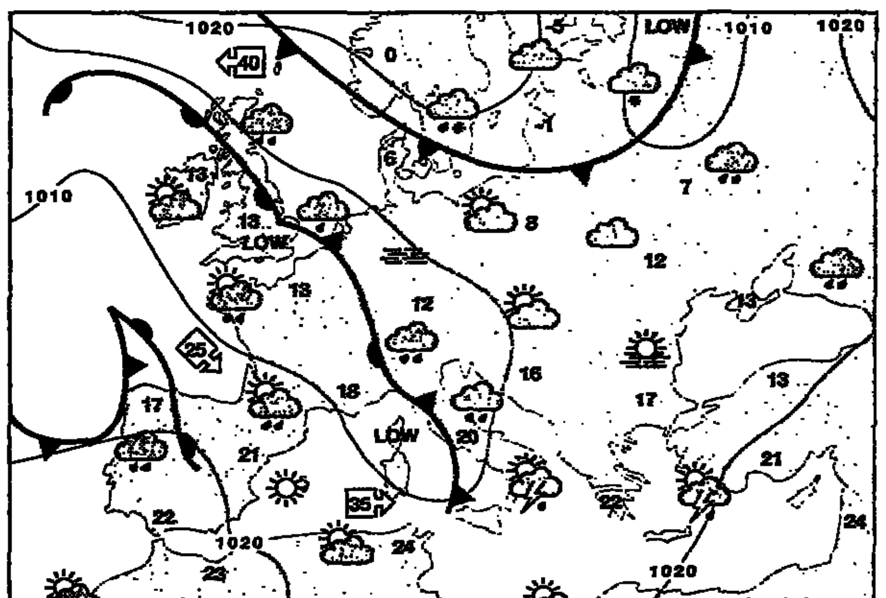
FT WEATHER GUIDE

Europe today

Most of western Europe will remain unsettled with the heaviest rain expected in Scotland, southern France and northern Italy. North-west France and Ireland will have seasonal temperatures and some clearing. Northern and north-east Europe will be wintry. It will stay below freezing north of the line from Moscow to Oslo with strong frost north of Kiruna. It will be settled from the northern Balkans to northern Germany with persistent morning fog and a few afternoon breaks in the cloud. The eastern Mediterranean will be mainly dry with temperatures rising to 18C-22C. Areas around the Black Sea may have thunder showers.

Five-day forecast

The rain over Italy will move east to affect most of the Balkans and Turkey. High pressure settling over the Baltics this weekend will induce sunshine and below seasonal temperatures which will spread from Russia to central and northern Europe. Low pressure arriving from the Atlantic will bring back rain to western Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	30
Accra	fair	31
Algiers	fair	22
Amsterdam	drzzl	11
Athens	fair	21
Atlanta	fair	19
B. Aires	sun	25
B.ham	cloudy	12
Bangkok	fair	33
Barcelona	fair	19
Beijing	fair	13
Belfast	shower	11
Belgrade	fair	16
Berlin	fog	8
Bermuda	fair	27
Bogota	shower	19
Bombay	fair	33
Brussels	drzzl	12
Budapest	fair	10
C.hagen	snow	2
Cairo	fair	24
Cape Town	fair	22
Caracas	fair	30
Cardiff	shower	13
Casablanca	fair	21
Chicago	sun	7
Cologne	drzzl	11
Dakar	sun	29
Dallas	fair	19
Delhi	sun	29
Dubai	fair	30
Dublin	shower	12
Dubrovnik	shower	18
Edinburgh	rain	11
Faro	fair	21
Frankfurt	shower	8
Geneva	shower	10
Gibraltar	fair	21
Glasgow	rain	11
Hamburg	cloudy	8
Helsinki	cloudy	-5
Hong Kong	sun	26
Honolulu	fair	29
Istanbul	fair	17
Jakarta	fair	31
Jersey	shower	12
Karachi	sun	33
Kuwait	fair	25
L. Angeles	shower	19
Las Palmas	fair	24
Lima	cloudy	22
Lisbon	shower	19
London	shower	13
Lux.bourg	shower	9
Lyon	shower	13
Madeira	fair	23
Madrid	fair	15
Majorca	fair	21
Malta	fair	23
Manchester	cloudy	12
Manila	fair	30
Melbourne	sun	25
Mexico City	fair	23
Miami	fair	27
Milan	rain	11
Montreal	sleet	4
Moscow	snow	0
Munich	fair	8
Nairobi	fair	25
Naples	rain	18
Nassau	fair	29
New York	fair	10
Nice	shower	17
Nicosia	sun	21
Oslo	snow	-2
Paris	drzzl	11
Perth	fair	22
Prague	cloudy	8
Rangoon	sun	33
Reykjavik	cloudy	4
Rio	shower	23
Rome	rain	19
S. Frsco	shower	14
Seoul	cloudy	14
Singapore	rain	30
Stockholm	cloudy	2
Strasbourg	fair	8
Sydney	fair	22
Tangier	fair	19
Tel Aviv	fair	23
Tokyo	fair	17
Toronto	shower	6
Vancouver	cloudy	8
Venice	rain	14
Vienna	cloudy	8
Warsaw	fair	5
Washington	cloudy	12
Wellington	shower	14
Winnipeg	fair	0
Zurich	shower	8

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FINANCIAL TIMES
COMPANIES & MARKETS

Thursday November 10 1994

IN BRIEF

AT&T in Mexican joint venture

AT&T, the US telecommunications group, is to form a $1bn joint venture with Grupo Alfa, a large Mexican industrial conglomerate, to provide telecommunications services in Mexico. Page 20

Quaker in trendy marriage
The marriage between 103-year-old Quaker Oats, the US cereal manufacturer famous for porridge, with Snapple Beverage, a trendy soft drink company, sees Quaker becoming market leader in the three fastest-growing beverage segments in the US. Page 22

Union Pacific seeks to derail bid
The takeover battle for Santa Fe Pacific, one of the biggest US railway companies, yesterday took a new turn after Union Pacific, the hostile bidder, produced a surprise tactic in an attempt to outmanoeuvre Burlington Northern, the friendly suitor. Page 22

Associates lift News Corp 15%
News Corporation, Rupert Murdoch's international media group, has announced a 15 per cent rise in net profits to A$301m (US$230m) for the September quarter, helped by a 43 per cent increase in earnings from associated companies and a lower net interest bill. However, Australian and UK newspaper interests were flat. Page 23

Cost cuts help Japanese drugs
Cost-cutting and firm sales of high-margin drugs pushed up earnings at leading Japanese drug companies for the first six months to September in spite of weak growth in overall sales. Page 23

Japan and Europe restrain Amersham
A disappointing performance in Japan and continental Europe limited first-half profits growth at Amersham International, the UK health science group. Pre-tax profits for the six months to September 30 rose 13 per cent to £19.6m ($32m) on sales up 6 per cent. Page 26

Barr board warns of threat to franchises
The board of Barr & Wallace Arnold Trust, whose voting shareholders are split by a family feud, has warned that the motor side of the UK group could lose its distribution franchises, if rebel shareholders vote down its proposals. Page 26

Electrocomponents rises 14%
Electrocomponents, the UK electronic, electrical and mechanical components distribution group, lifted interim pre-tax profits 14 per cent to £35.5m ($58m). Page 27

Carlisle completes its transformation
Carlisle Group has completed its transformation from a UK financial services company to a property group with the announcement of a £14.4m ($24m) placing and open offer to help fund £29m of property purchases. Page 28

Morgan Stanley cuts HK portfolio
Morgan Stanley Asia has cut its allocation of Hong Kong equities to 35 per cent from 40 per cent in its Asia-Pacific model portfolio. The move came less than a week after HG Asia (Singapore) also recommended investors to trim allocations in Hong Kong. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Allianz	2378	+	84	AGF	224	+	12
Asko	770	+	30	Air Liquide	741	+	13
Daimler Bnz	779	+	22	BIC	672	+	17
GEHE	555	+	25	Cred Fonc	834	+	20
Schering	984	+	34	SLIC	681	+	31
Falls				**Falls**			
Brier Kft	295.5	-	12.5	Fonc Lyon	575	-	24
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Merck	36½	+	4¼	Ascis	395	+	11
NME	14½	+	4½	**Falls**			
Pfizer	75¾	+	1¼	Calsonic	770	-	19
Santa Fe Pac	18	+	1¼	Daiwa Ind	901	-	35
Scified Life	52	+	3½	Dai Nip Ink	490	-	37
Falls				Makino Mll	905	-	33
Lg Islands Lght	16¼	-	1½	Nip Denko	410	-	22

New York prices at 12.30pm.

LONDON (Pence)				London Clubs	261	+	8
Rises				Ugland Int	125	+	5
BAT Inds	445	+	13	Yates Bros	181	+	6
Bibby (J)	70	+	10	**Falls**			
Campari Int	25	+	4	Amersham Int	928	-	63
City of London	91	+	6	Barr & WAT A	263	-	21
Euro Disney	111	+	6	Benson Crisps	36	-	3
Eurotunnel Uts	239	+	9	Coal Invs	87	-	7
Fairhaven	26	+	3½	Hambro Ins	105	-	9
Fenner	139	+	5	Ingham	71	-	8
Fleams	121	+	6	SEET	44	-	7
Glaxo	617	+	19½				
Hepworth	307	+	13				
Jacobs (JI)	63	+	9				

Restructuring costs hit Siemens

Earnings fall 17% as power generation and telecoms operations face weaker demand in eastern Germany

By Christopher Parkes in Frankfurt

Siemens, Germany's leading electrical and electronics group, is to pay an unchanged DM13 dividend despite an unexpectedly sharp profits setback in the year to the end of September.

Net earnings before extraordinary items fell 17 per cent to DM1.65bn ($1.1bn) because of higher restructuring charges, increased price competition in key operating sectors, and relatively weak investment income, the group said yesterday.

However, the DM344m proceeds of the sale of a heart pacemaker subsidiary raised total net profits by 1 per cent to DM1.99bn.

Executives had warned earlier of a maximum decline of up to 15 per cent.

Although yesterday's preliminary figures gave no earnings breakdown, recent statements have suggested that core divisions – including public telecommunications and the KWU power generation subsidiary – have been squeezed especially hard by international price competition and the end of the demand boom caused by German unification.

Group sales, up 10 per cent abroad and down 4 per cent at home, rose an aggregate 4 per cent to DM84.6bn.

Orders increased 5 per cent thanks solely to a 15 per cent increase in foreign demand, which accounted for 60 per cent of the total bookings.

Domestic orders, which were 6 per cent lower after six months, fell 7 per cent over the full year. Foreign demand which was 21 per cent up at halfway, also appeared to slow in the second half.

The statement blamed weak demand for heavy plant and electrical equipment for the drop in domestic orders. Most foreign growth came from the Americas and the Asia-Pacific zone.

Best results appeared to have been posted by divisions such as automotive components and railways which reported sales increases of 16 and 21 per cent respectively.

The lossmaking computer subsidiary, Siemens Nixdorf, recorded a 2 per cent turnover decline although domestic orders were reported to have increased for the first time.

Turnover at the Osram lighting business, bolstered by the first-time consolidation of the US Sylvania group, rose 82 per cent to DM5.4bn.

The group cut 21,000 jobs during the financial year, of which 17,000 were lost in Germany. The number of part-time workers rose 50 per cent.

Lex, Page 18

Electrolux profits surge to SKr5bn

By Christopher Brown-Humes in Stockholm

Cost-cutting, big capital gains, and west European economic recovery powered a seven-fold rise in profits at Electrolux in the first nine months.

Income at the world's biggest manufacturer of household appliances after financial items rose to SKr5.08bn ($690m) from SKr712m.

The sale of three non-core industrial units produced capital gains of SKr2.77bn and boosted operating income to SKr6.26bn from SKr2.01bn.

Excluding the sale, operating income was 73 per cent higher at SKr3.48bn while income after financial items was up 224 per cent at SKr2.31bn. Earnings per share climbed to SKr19.8 from SKr2.0. Electrolux B shares closed SKr9.5 higher at SKr365.5.

Mr Leif Johansson, chief executive, said the underlying improvement was mainly due to the group's restructuring and cost-cutting programme which has boosted productivity by 10 per cent over the last year.

But he said market conditions in Europe and the US were also better, reflected in an 8 per cent underlying increase in sales to SKr79.8bn.

The group said there were signs that the pace of demand increase in North America was slowing, while momentum was increasing in most European markets.

"We are also starting to see some price increases in the European household appliance market," Mr Johansson said, although he noted that the group's own raw material costs were also rising.

Sales of household appliances rose by 9.2 per cent to SKr47.6bn.

The group's three other divisions, commercial appliances, outdoor products and industrial products, also improved operating income.

In the third quarter, group income after financial items climbed to SKr650m from SKr107m after an 8 per cent rise in underlying sales to SKr24.2bn. There was a stronger performance from the group's commercial appliances division, which suffered from weak demand in the first six months.

Following its purchase of AEG's household appliances, Electrolux has shifted its focus to Asia and China where it aims to double annual sales to nearly SKr10bn in five years.

Alcatel Alsthom acts to cut back German losses

By John Ridding in Paris

Alcatel-SEL, the German subsidiary of Alcatel Alsthom, the French telecoms, transport and engineering group, yesterday announced substantial restructuring measures aimed at stemming losses which have shaken its parent company.

The announcement coincided with another blow to Alcatel Alsthom. Mr Jean-Claude Leny, chairman of Framatome, revealed that the French government had decided against the planned privatisation of the nuclear power plant group. Alcatel Alsthom had lobbied hard to take control of the company, in which it has a 44 per cent stake.

Alcatel-SEL said it planned to cut 5,300 jobs, almost one quarter of the workforce, by the end of 1995. Two plants, at Mannheim and Rochlitz are to close.

The moves are aimed at curbing losses which are expected to total about DM300m ($201m) this year at the operating level. "We are losing about DM1m a day," said Mr Gerhard Zeidler, chairman of Alcatel-SEL. Provisions of between DM200m and DM300m will be required this year to cover losses in 1994. A return to profit is not expected until 1996.

The heavy losses reflect difficulties faced by suppliers of telecommunications equipment in the German market. Orders from clients such as Deutsche Telekom, the national telecoms operator, have fallen, while prices have been hit by increased competition in the sector.

The deterioration in the market reflects structural problems, according to industry analysts. Telecoms investment in eastern Germany has slowed, while the shift by Deutsche Telekom to increase competition in the award of contracts has undermined the position of traditional suppliers such as Alcatel and Siemens. Industry analysts in Paris said that the situation had been aggravated by the slow response by Alcatel-SEL.

The problems of the German unit are one of the biggest setbacks to confront Alcatel Alsthom, which has grown rapidly over the past decade to become one of France's largest and most profitable industrial groups. The losses in Germany were one of the principal factors behind a warning in July that profits at the French group would fall by about 40 per cent this year from FFr7.06bn ($1.37bn) in 1993.

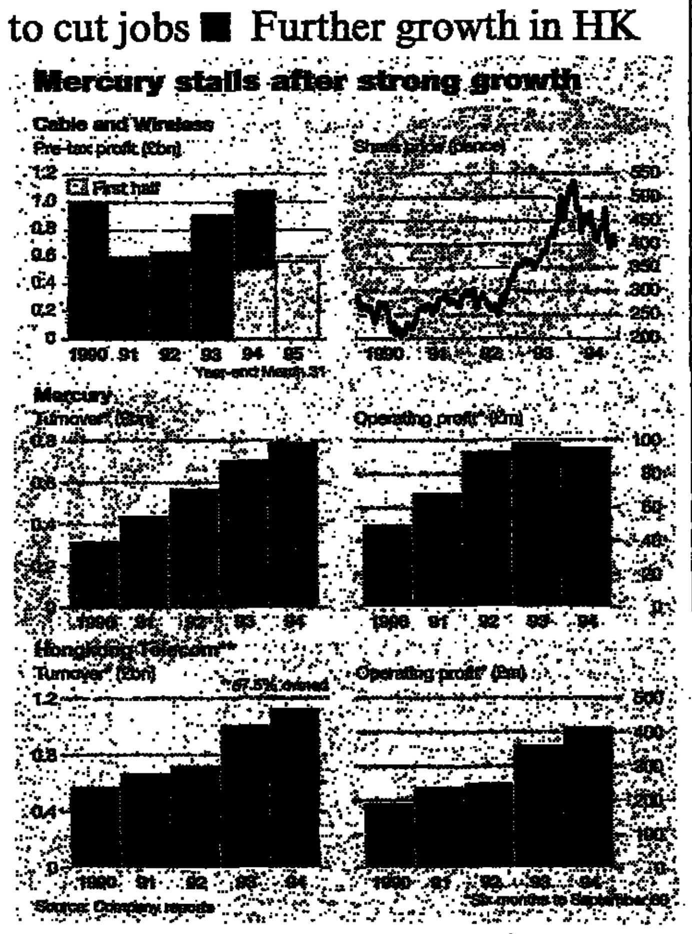
Industry observers in Paris described yesterday's measures as rigorous. "It is encouraging," said an analyst. The restructuring plan, however, coincided with the setback concerning Framatome. Mr Leny, Framatome chairman, said that the government had decided against privatising the group because it would undermine the structure of the French nuclear industry and could lead to its dismantling.

Alcatel Alsthom yesterday rejected such a possibility, but admitted that the planned operation had become deadlocked during the summer. The principal obstacles involved the price of taking a controlling stake and concerns expressed by Framatome's other partners, including Siemens of Germany.

■ Telecoms group to cut jobs ■ Further growth in HK

C&W to shake up Mercury operations

By Paul Taylor in London



Cable & Wireless, the UK telecommunications group, yesterday announced a "substantial cost and head-count reduction programme" at its UK-based Mercury Communications subsidiary while reporting an 11 per cent rise in interim pre-tax profits.

Lord Young, chairman, declined to be drawn on the scale of the likely job cuts. However, the National Communications Union said it believes job losses at Mercury will total around 1,100 and analysts suggested that up to 2,000 of Mercury's 11,400 jobs could be at risk.

Pre-tax profits increased in line with expectations to £567m ($929.8) in the six months to September 30 from £507m a year ago on turnover which grew by 9 per cent to £2.33bn (£2.54bn.) The shares closed down 7p at 392p.

The results were underpinned by the continued strong performance of Hongkong Telecom which is 57.5 per cent owned by C&W and contributed £417m (£365m) to overall operating profits of £592m.

Improved group profits came despite a surprise £3m decline in first-half operating profits at Mercury which fell to £96m on turnover up 12 per cent at £797m.

Mercury's decline came despite a 21 per cent increase in call volumes and a 50 per cent increase in customer lines to 2.1m. Growth in residential customer lines was particularly strong at 54 per cent.

Lord Young said that although Mercury continues to gain market share it had been hit by the effects of regulatory change which had resulted in pricing pressure and substantially higher Access Deficit Charge payments to British Telecommunications.

"Clearly we are disappointed by Mercury's financial performance but we do not intend to rely on regulatory change alone to ameliorate the position," he said. "We are therefore restructuring Mercury which will enable us to introduce a substantial cost and headcount reduction programme."

Lord Young said details of the restructuring measures would be announced within the next month by Mercury's new chief executive, Mr Duncan Lewis, appointed earlier this week.

Despite the setback at Mercury, Mr James Ross, C&W's chief executive, insisted the group's results, showing a rise in operating profit of 17 per cent, "were a good performance marred only by the difficulties of Mercury".

Earnings per share rose to 11.9 (11.1p) and an interim dividend of 2.83p (2.6p) per share was declared, a 9 per cent increase on last year.

Lex, Page 18; Details, Page 26

European banks forced to change course in US

Barclays learns lessons from a promiscuous past

These days, it seems every European bank wants to be in the US investment banking business. Bank executives from Deutsche Bank, Crédit Lyonnais and Union Bank of Switzerland, among others have talked this year about growing their trading and deal-making skills to complement their lending and foreign exchange businesses in the US.

Barclays is no exception. After a disastrous foray into corners of the US financial market in the 1980s, the UK bank may have been pulling in its horns recently – earlier this week, for instance, it said it was in talks to sell its profitable US asset-based lending business. But it is now also focusing on growth.

No bank with pretensions to serving big companies can afford not to have a substantial presence in New York, according to Mr Martin Taylor, Barclays chief executive. "The investment banking business internationally demands dollar capability," he said.

Also, techniques and skills developed in the US derivative and other financial markets are a driving force around the world. "New York is the centre of imagination and ideas in the [capital] markets," said Mr Taylor.

With a number of foreign banks pursuing the same goal – and some of the US's own commercial banks moving into investment banking – is there enough business, let alone enough skilled traders and deal-makers, to go around?

Like other foreign and US institutions, Barclays lent liberally to US companies at low margins during the 1980s, hoping to forge relationships which would yield more profitable business later. It didn't work.

Mr Taylor now refers to that era as one of "extreme promiscuity". "Nobody built any particular loyalty or any particular strength."

There were also bad credit judgments. Last year, Barclays took a £346m ($567m) charge against its US loans, £1bn of which were classified as non-performing at the end of 1993. Like others, it was caught out by excessive property lending.

Now, the bank is busy cutting the number of companies it services in the US. "Banks are getting back to the idea of having fewer and deeper relationships," said Mr Taylor. At the start of 1993, Barclays did business with 900 US companies: that number has been cut to around 200.

It has also pulled out of a range of retail or small business finance businesses entered during the 1980s. Besides the asset finance company, virtually the only one left is Barclays American Mortgage, which services mortgage loans.

In the past three years, these mistakes – and charges for shedding excessive infrastructure – have cost the bank £1.1bn. The continuing part of its business, by comparison, made profits of £168m last year.

Barclays is trying to graft an investment banking business on to what is left. In this effort, it has some things working in its favour. Its name still scores high marks for recognition in the US and its reputation has barely been tarnished by problems in the UK. Mr Taylor calls this the "halo effect".

The era of expansionism has left the bank with a base of customers on which it can build. "However expensive an entry it was, we have got the relationships," said Mr Taylor. It was one of six banks, and the only non-US one, which committed $500m each to back the (ultimately unsuccessful) bid for Paramount Communications by QVC. Also this year it co-arranged a $325m financing to back a merger of two cellular companies to form Western Wireless.

Mr Taylor calls commitments like that to QVC "the strategic use of the [bank's] balance sheet" – providing the bridging finance or underwriting to support a big corporate transaction. In future, he says, Barclays plans to use its capital in this way, rather than take on loan assets.

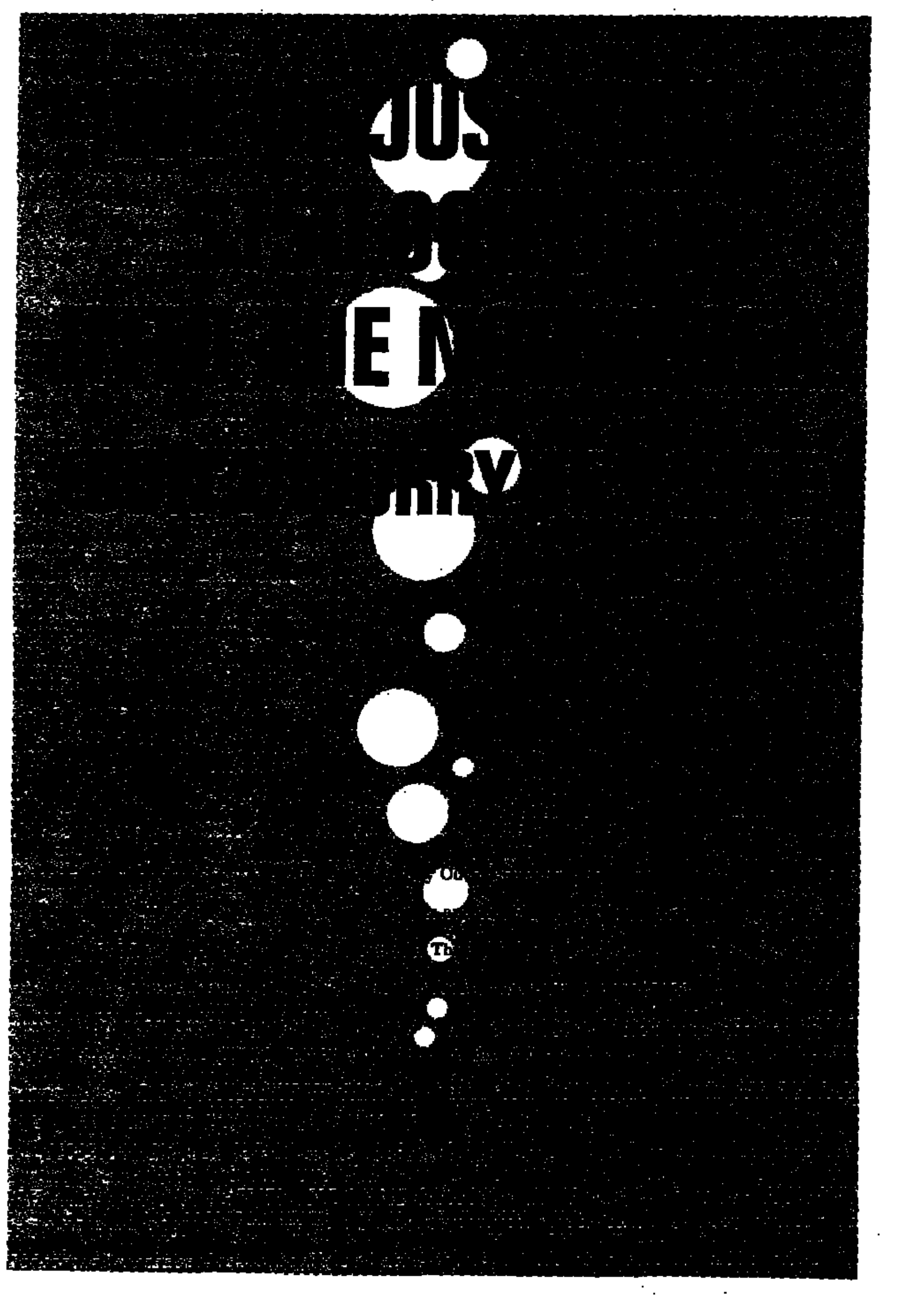
Barclays will have to avoid the sort of temptations which led it astray before.

Mr Taylor seems wary of getting drawn into new areas such as US equities. "The market is very well supplied with strong players at the moment."

The bank will also have to rebuild morale and management in the US. That process may not be smooth: while Mr Richard Webb, head of the US bank, has handled the clean-up smoothly, the two joint-heads of the investment banking business in New York – Mr John Sutherland and Mr Malcolm LeMay – have left.

Mr Taylor earlier this year professed himself happy with the US management. But he added: "The challenge for Barclays in managing its US operations is how you move that management group over the next few years when you're coming out of a turnround phase into a development phase."

Richard Waters



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AT&T in $1bn Mexican venture

By Damian Fraser in Mexico City

AT&T, the US telecommunications group, is to form a $1bn joint venture with Grupo Alfa, a large Mexican industrial conglomerate, to provide telecommunications services in Mexico.

Alfa will hold 51 per cent of the venture and AT&T 49 per cent. The jointly-owned company is expected to apply for a licence to offer long-distance telephone services in Mexico, a market which will be opened up to competition from January 1997.

Mexico's telecommunications market is valued at about $7bn a year.

AT&T said its venture with Alfa would offer a full range of telecommunications services, beginning in 1995, depending on regulatory approval by the transport and communications ministry.

It said the $1bn investment would be spread over between four and six years.

AT&T is the fourth large US telecoms carrier to announce ventures in Mexico this year.

MCI has agreed to form a company with GF Banacci, Mexico's largest financial group; Sprint has linked with Iuscell, a cellular company; and GTE has joined forces with GF Bancomer, Mexico's second largest bank, and Visa, a large Mexican company.

All are hoping to enter the lucrative long-distance market.

The alliance between Alfa and AT&T may raise questions about the long-term strategy of Teléfonos de Mexico (Telmex), the current monopoly long-distance and local carrier.

Telmex had been widely expected to form a venture with AT&T, with which it has close business relations. Telmex's share price fell mid-morning on news of the announcement.

Alfa, a Monterrey-based conglomerate with interests in steel, food and petrochemicals, posted sales last year of 8bn pesos ($2.3bn) and income of 211m pesos.

One of the company's largest minority shareholders is GF Inbursa, a financial group controlled by Mr Carlos Slim, the chairman of Telmex. GF Inbursa has played down rumours that it might seek to launch a takeover bid for Alfa.

Novo Nordisk falls 6% to DKr1.2bn

By Hilary Barnes in Copenhagen

Pre-tax profits at Novo Nordisk, the Danish pharmaceuticals and industrial enzymes producer, fell by 6 per cent to DKr1.24bn ($211m) from DKr1.32bn in the first nine months of the year. The group's net profits fell 7 per cent to DKr 934m from DKr1bn.

Earnings per share were reduced to DKr24.50 from DKr26.66 last year. But the group forecast that pre-tax earnings for the full year will be DKr1.92bn-DKr1.97bn, compared with DKr1.86bn last year.

A 12 per cent increase in sales so far this year was eclipsed by a faster growth in costs, which reflected expansion in production capacity, the group said.

Sales were up to DKr9.94bn from DKr8.84bn, including a rise of 13 per cent by the insulin-producing healthcare division to DKr6.69bn and by 11 per cent to DKr2.64bn in the industrial enzymes.

Costs rose 16 per cent to DKr9.09bn, including tax and net financial items, with the latter increasing DKr31m to DKr135m.

The group said it had problems meeting demand for some types of insulin, used for diabetic care, in the US as a result of a temporary closure of a Danish plant.

In addition, there had been delays in bringing a new plant in the US on stream due to US Food and Drug Administration requirements.

Profits recovery at SAS continues in third period

By Christopher Brown-Humes in Stockholm

The recovery at Scandinavian Airlines System (SAS) continued in the third quarter, enabling the group to report pre-tax profits of SKr1.24bn ($170m) for the first nine months after a SKr1.13bn loss in the same 1993 period.

The group, half-owned by the governments of Sweden, Denmark and Norway, benefited from cost-cutting, a lower debt burden and a positive trend in its core airline business. Disposal of non-core operations yielded SKr829m in capital gains.

The airline was hit by SKr750m in restructuring costs and a higher aircraft depreciation charge after a change of accounting methods.

Operating income fell slightly to SKr28.3bn from SKr29.2bn, but costs fell further to leave the group with an operating profit before depreciation of SKr2.56bn, compared with SKr1.82bn.

The figures benefited from a 7 per cent currency-adjusted rise in traffic revenues and higher yields. The traffic increase was felt mainly on the company's European and intra-Scandinavian routes.

The group's cost-cutting programme, involving the loss of 3,000 jobs, is also beginning to have an impact.

The third factor in the airline's revival has been sharply reduced interest costs after cutting its net debt to SKr6.98bn from SKr13.89bn since the start of the year.

The balance sheet has been strengthened by the disposal of SAS Leisure, a tour operator, SAS Service Partner, a catering unit, and Diners Club Nordic. These generated more than SKr3bn in cash flow.

The third quarter brought a SKr624m pre-tax profit after last year's SKr520m loss.

It was the airline's second consecutive quarter in the black and keeps it on course for its first full-year profit since 1989.

During the past four years, it has made losses due to recession, fierce competition, heavy restructuring costs and currency losses.

Hagemeyer raises Fl 90m in placement

Hagemeyer, the Dutch products and food trading group, has raised Fl 90m ($52.9m) of new capital in a private placement of 677,617 ordinary shares, AP-DJ reports.

The issue, announced earlier this year, will increase the total number of shares outstanding by 4.7 per cent.

The Naarden-based group also announced it had placed a $45m, five-year, floating-rate exchangeable subordinated note issue with Dutch institutional investors. The notes, designed to improve the structure of debt rather than increase the burden, are exchangeable into minority equity at the option of Hagemeyer.

"Both transactions fit Hagemeyer's financial aim to keep its shareholders' equity at a level of between 25 and 30 per cent of balance sheet total," Hagemeyer said.

Its Hong Kong parent company, First Pacific, participated in the share offering to hold its stake unchanged at 50.04 per cent.

The remainder of the newly-issued common shares have been placed with a small number of foreign and domestic investors, who paid a price at market average.

Hagemeyer, which has expanded this year through the takeover of UK electro-technical wholesaler Newey & Eyre and a joint venture in Asia, said it expected earnings per share to rise in 1994, from last year's Fl 11.37.

Commercial Union advances to £305m on UK non-life revival

By Ralph Atkins, Insurance Correspondent

Commercial Union, the large UK composite insurer, yesterday reported pre-tax profits up £165m ($270.6m) at £305m for the first nine months, helped largely by the revival in the UK non-life insurance sector.

Mr John Carter, chief executive, said UK underwriting margins were "still looking favourable" with claims relatively low and many premiums stable or rising. But he acknowledged that trading conditions in insurance were unlikely to remain as good in the next few years.

Underlining the extent of competition – particularly from direct telephone-based insurers – the company reported that the number of private motor vehicles insured by it had fallen 18 per cent over the past year.

The results were broadly in line with expectations and the group's shares ended unchanged at 543p.

In continental Europe, strong growth in general insurance premiums helped increase operating profits in the Netherlands to £64m from £53m, but elsewhere CU made an operating loss before taxation of £6m against £24m.

Contributions from the US were hit by bad weather and catastrophe claims. US operating profits before tax fell to £44m from £50m.

Mr Carter said UK growth had been affected by a tough market for pension products but he forecast that the Securities and Investment Board's proposed programme for reviewing past sales of personal pension policies would not have a material effect on its statutory life profits.

For the group as a whole, profits from the life business increased to £94m from £86m. Growth in new life annual premiums in continental Europe was partly offset by lower UK sales of individual life and pension products.

Operating results for general insurance jumped to £202m from £57m. Total premium income in the first nine months was £4.50bn against £4.49bn.

The results were the first since CU acquired on October 6 the French insurer Groupe Victoire, which will be included in final-quarter results.

Shareholders' funds at September 30 totalled £2.1bn compared with £2.5bn at December 31 1993. The drop largely reflected the poor performance of bond and equity markets.

Operating ratio in the UK – which measures claims, commissions and expenses as a percentage of premiums – amounted to 97 per cent in the nine months, against 104 per cent.

Austrian building group ahead

By Ian Rodger in Zurich

Wienerberger Baustoffindustrie, the Austrian building materials group, reported a 5.7 per cent rise in pre-tax profits in the third quarter to Sch386m ($36.4m). This was mainly due to the strong performance of its core bricks and pipes businesses.

For the nine months, pre-tax profits were ahead 30.7 per cent to Sch1.02bn and the directors have raised their profit forecast for the full year to Sch1.15bn, 22.6 per cent above the 1993 result.

Sales in the nine months fell 20.6 per cent to Sch7.4bn, mainly because of the sale of the sanitary fitting subsidiary to Wolseley of the UK earlier this year. Excluding this distortion, sales were ahead about 10 per cent, the group said.

The loss at the troubled Treibacher ferro-alloy subsidiary was slashed in the third quarter to Sch7.8m from Sch68.1m, in the same period of last year, mainly as a result of cost reductions. There was a small improvement in market conditions.

Pre-tax profits of the wall, ceiling and roof division advanced 5.4 per cent to Sch282.5m in the third quarter, while those of the pipe systems and sewage technology division jumped 56 per cent to Sch62.6m.

- Lenzing, the world's largest producer of viscose fibres, said sales were flat in the first nine months of the year at Sch6.04bn, excluding the 1993 sales figures of Glanzstoff, sold earlier this year.

The group, which suffered a loss of Sch203m in 1993, said it expected a positive result for the full year 1994.

Cuomo's defeat hits Lilco shares

By Richard Tomkins in New York

Shares in the Long Island Lighting Company, a private-sector US electricity company, tumbled by $1¼ to $16¼ in early trading, a decline of more than 8 per cent, following the defeat of Mr Mario Cuomo, the state's Democratic governor, in the US mid-term elections.

Last month Mr Cuomo proposed to buy out Lilco's shareholders at $21.50 a share and take the the company into state ownership in an attempt to cut electricity bills.

However, the plan looks unlikely to go ahead under New York's new Republican governor, Mr George Pataki.

Mr Cuomo said Lilco's electricity rates, the highest in the US, would fall by 10 per cent if the company were nationalised because it would no longer have to pay federal taxes or shareholder dividends.

Later this month Lilco's electricity rates are due to be reviewed, but the New York Public Service Commission, the state body that sets electricity rates, is not expected to permit any increase.

Shareholders fear the result will be declining company profits and a cut in the dividend.

Water group loan

General Utilities, holding company for the UK water company assets of Compagnie Générale des Eaux of France, has returned to the syndicated loan market with a £120m revolving credit facility arranged by Chemical Bank, writes Martin Brice in London.

Chemical Bank said the loan would replace a £160m deal it arranged in 1991 for the company.

UK retailer may sell banking arm

By Ian Hamilton Fazey, North of England Correspondent

The sale of part or all of the Co-operative Bank is being considered by its owner, the Co-operative Wholesale Society.

S.G. Warburg, the UK investment bank, has been commissioned to examine selling shares in the bank to another co-operative financial institution. Since last year, contact is believed to have been made with co-operative banks in Canada, Germany, France, Belgium and Switzerland.

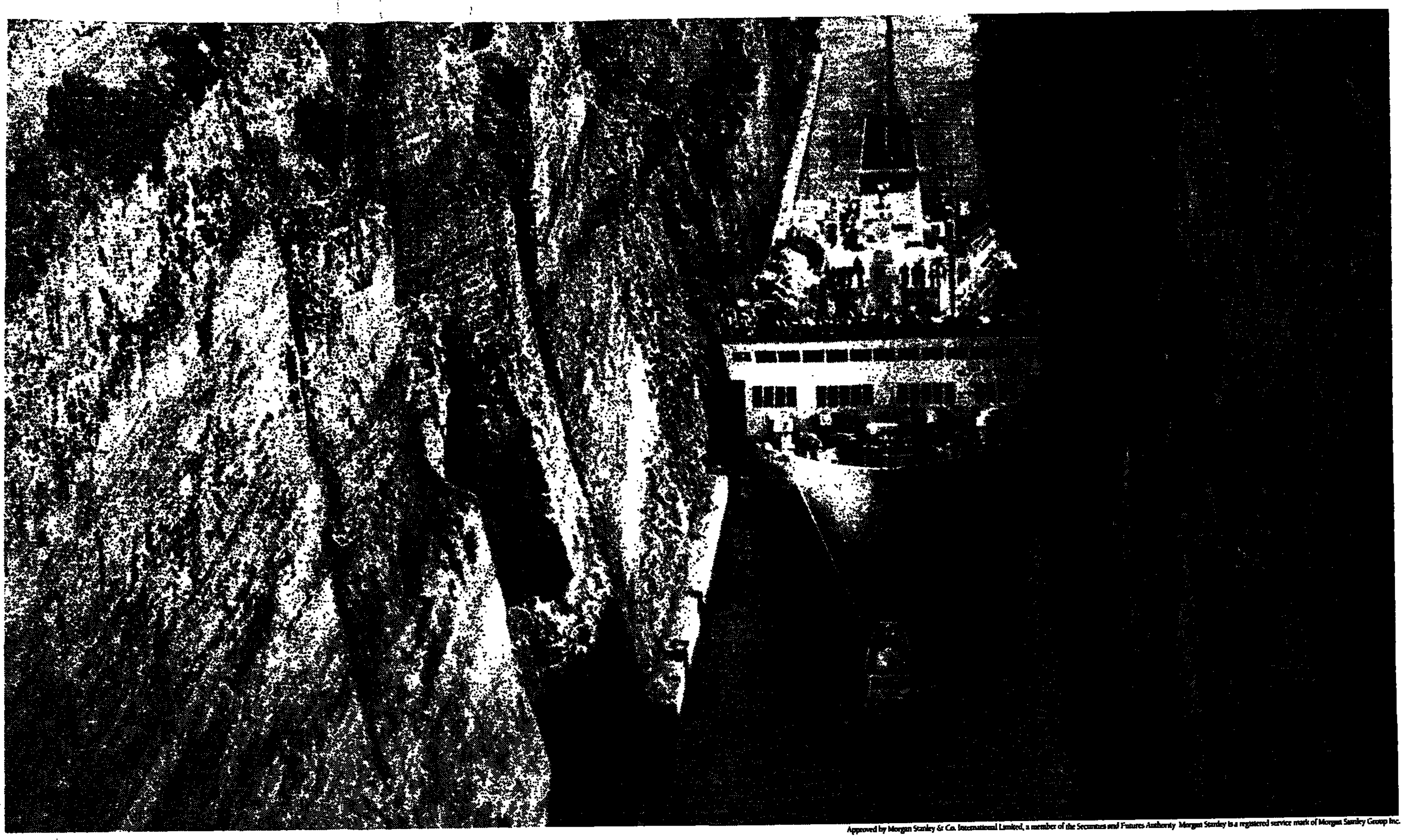
The CWS board discussed a paper on the bank's future last week, but decided to take no short-term action.

The Manchester-based bank has only 3,500 employees and 2 per cent of in the UK retail market. However, it is strong in two niches: "gold" credit cards and local government accounts. It has also attracted customers by refusing to do business with companies that it considers insensitive to environmental issues.

Its asset base was £3.4bn ($5.4bn) in its accounts for the year to January 8, with pre-tax profits of £17.8m.

The CWS was founded in 1863 and set up the bank nine years later. As owner of 100 per cent of the equity, the CWS has to guarantee the bank's capital base. Returns on the £22m invested so far have been poor because the bank has had to retain profits to keep its base strong.

An alternative recommended in last week's board discussion paper was to transfer ownership to the Co-operative Insurance Society, although this would be unlikely to be approved by the Bank of England, the banking regulator.



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INTERNATIONAL COMPANIES AND FINANCE

Union Pacific in surprise new offer for Santa Fe

By Richard Tomkins in New York

The takeover battle for Santa Fe Pacific, one of the biggest US railway companies, yesterday took a new turn after Union Pacific, the hostile bidder, produced a surprise tactic in an attempt to outmanoeuvre Burlington Northern, the friendly suitor.

Union Pacific put forward a new offer worth $3.3bn in cash and shares, substantially less than its last offer of $3.8bn.

However, it said shareholders would get the cash and shares immediately instead of having to wait a year or more while the Federal regulatory authorities considered the deal.

The proposal could prove tempting to Santa Fe's shareholders because Burlington Northern's all-share offer is worth less – $3.2bn – and would have to await regulatory approval.

Santa Fe, which had rejected Union Pacific's two previous offers, yesterday said it was studying the latest proposal.

The bids will be put to a shareholder vote on November 18.

Until now, Union Pacific's bid for Santa Fe, although worth more than Burlington Northern's, had looked less likely to succeed because it ran the risk of being ruled out on anti-trust grounds by the regulatory authorities. Large parts of the Union Pacific and Santa Fe rail networks overlap.

Under the new proposal, announced late on Tuesday, Union Pacific is offering $17.50 for each Santa Fe share, $10 of it in cash and the remainder in Union Pacific stock.

If Santa Fe shareholders accept, Union Pacific will set up an independent voting trust to hold Santa Fe's stock while the regulatory authorities consider the deal.

The effect of the offer is to transfer the risk of a regulatory refusal from Santa Fe's shareholders to Union Pacific's because if the deal were disallowed, Union Pacific would have to dispose of the Santa Fe stock – possibly at a substantial loss.

Union Pacific's shareholders are not, however, being asked to approve the proposal.

Santa Fe's shares shot up $1⅜ to $16 in early trading yesterday, a rise of 9 per cent.

Union Pacific's shares dropped $¼ to $49¼, while Burlington Northern's were up $¼ at $49⅝.

Alcoa considers first investment in Russia

Aluminum Co of America (Alcoa) is considering buying a minority stake in a Russian aluminium smelting plant in Siberia in what would be its first investment in the former Soviet Union, Reuter reports from Michigan.

While the initial investment would be small, it could grow to as much as $500m over the next 10 years, said Mr Paul O'Neill, chairman and chief executive officer.

Mr O'Neill said he planned to visit the plant in Krasnoyarsk after the Thanksgiving holiday and would make a final decision within a couple of months.

He added that the smelter had the capacity to produce 750,000 tonnes of aluminium per year. However, the plant had numerous environmental problems and would need to be upgraded to become more efficient.

He said his visit would provide first-hand evidence of the investments needed to modernise the plant. "I'm convinced it is a sufficiently real and interesting possibility that I need to go look at it myself."

A deadline for any possible deal is "close enough that we're going to have to make a decision to put some real shareholder money at risk".

Improved margins lift Federated to $44.3m

By Richard Tomkins

Increased sales and better margins helped Federated Department Stores, US owner of the Bloomingdale's department store chain, boost net income to $44.3m in its third quarter to October from $20.3m previously.

The increase was exaggerated by a tax adjustment in the comparable period, but Federated said net income would still have been 26 per cent higher if the adjustment had not taken place.

Earnings per share rose to 35 cents from 16 cents.

Part of the profits increase came from an 8 per cent rise in revenues to $1.93bn from $1.79bn. Federated opened four new stores during the period, taking the total to 235, while sales at existing stores rose by 3.4 per cent.

Federated also benefited from its efforts to improve efficiency.

Selling, general and administrative expenses fell to 31.7 per cent of sales from 33.8 per cent, partly reflecting the group's investments in retail technology.

Mr Allen Questrom, chairman and chief executive, said the figures demonstrated the group's ability to run the business at the division level while concentrating at the corporate level on the planned merger with the rival R.H. Macy department store group.

Intel sees heavy Pentium demand

Intel, the leading supplier of microprocessors to the personal computer industry, expects demand for its Pentium chip to increase at an aggressive rate in 1995, AP-DJ reports from New York.

Mr Gerhard Parker, senior vice-president, general manager, of the technology and manufacturing group of Intel, said he also expected the PC market to continue growing.

He said the company expected 486 chip demand to fall off as popularity for the Pentium increases.

A $1.7bn marriage that faces a bumpy ride

Investors have doubts over Quaker Oats' purchase of Snapple, writes Richard Tomkins

They make an odd couple. On the one hand is Quaker Oats, a 103-year-old US cereal manufacturer whose name is synonymous with porridge. On the other is Snapple Beverage, a trendy soft drinks company that has shot to prominence in the US through the phenomenal success of its "new age" iced tea and juice drinks. Will the marriage work?

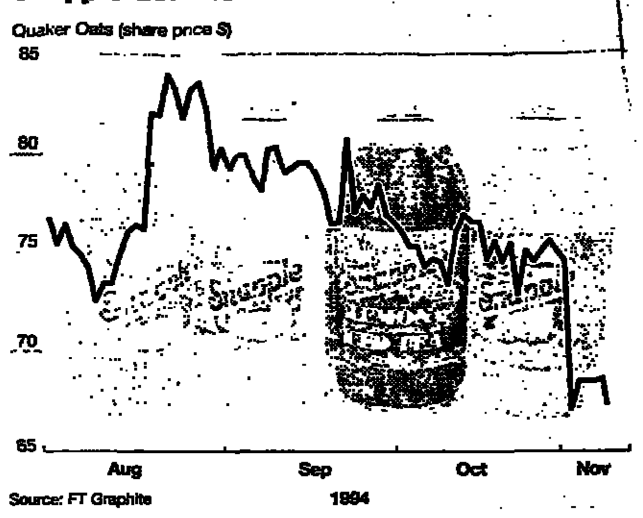
Last week Quaker Oats announced it was paying $1.7bn in cash to buy Snapple. The acquisition, it said, would turn Quaker Oats into the biggest soft drinks company in the US after Coca-Cola and PepsiCo, and accelerate future profits growth.

But if it had hoped for a favourable reaction from the stock market, it was to be disappointed: its shares tumbled $7⅝ to $67⅛ on the day, a fall of nearly 10 per cent.

The Snapple acquisition may be the biggest in Quaker's history, but it is not the first. Since the 1960s, the company has diversified into other business areas, including fast-food restaurants, specialty retailing and toy manufacturing, only to get out again. But in 1983 it struck lucky when it bought Stokely-Van Camp, a US food company that made Gatorade, a sports drink.

Thanks to a combination of changing tastes among increasingly health-conscious US consumers and heavy investment in the brand by Quaker Oats, sales of Gatorade shot up. In 1983 they were barely $90m; in the current financial year, they are expected to be $1.2bn.

Snapple deal not to investors' taste?



Source: FT Graphite

But Gatorade's meteoric performance has not been matched by that of the group's other products, mainly cereals and pet foods. Here, Quaker Oats has been doing little better than holding its own in the face of tough competition from bigger rivals, and overall profits growth has been flaccid.

The business logic for the Snapple acquisition looks straightforward enough. With Gatorade, Quaker Oats is already the US market leader in sports drinks. With Snapple's trendy Mango Iced Tea, Amazin' Grape Juice and the like, Quaker Oats will also become market leader in ready-to-drink iced teas and juice drinks. So Quaker Oats becomes market leader in the three fastest-growing beverage segments in the US.

Further, Quaker Oats believes it can gain by feeding Snapple through Gatorade's distribution channels. Snapple sells mainly through corner stores and delicatessens, and has barely 1 per cent of its sales outside the US. Gatorade, in contrast, sells through convenience stores and supermarkets, and sells in more than 25 countries.

Quaker Oats also announced it would offset part of the cost of buying Snapple by selling its European pet food and Mexican chocolate businesses. (Analysts think they may fetch around $700m.) Mr William Smithburg, chairman and chief executive of Quaker Oats, said this was in keeping with the company's policy of improving the profitability of lower-return businesses, or divesting them.

"Our goal is to deliver above-average returns over time with a high-growth, high-margin portfolio of leading consumer brands that fuel health-conscious consumers around the world," Mr Smithburg said.

So why the fall in the share price?

Partly, it was because Quaker Oats will look a good deal less vulnerable to a takeover bid than before – but for the worst of reasons.

Perhaps the biggest is the fact that news of the deal coincided with the publication of Snapple's latest financial results showing that net profits had slumped from $26.9m to $7.1m in the quarter to September.

Quaker Oats tried to play down concern over the figures. Snapple's annual sales had grown from $40m to $600m in four years, it said, and it was not unusual for a company growing that quickly to hit a few bumps along the road. In this case, inventory build-ups had slowed factory shipments, merchandising costs were up, and competition caused iced tea sales to be lower than expected.

Yet Snapple's potential difficulties cannot be ignored. One danger is that "good-for-you" beverages could be just a fad; but much the larger threat is that the mighty Coca-Cola and PepsiCo – acutely aware of the fact that their colas are losing market share to alternative drinks – will plunder the market for "new age" beverages and squeeze Snapple till the pips squeak.

The warning signs are already there. PepsiCo, in a joint venture with Unilever's Thomas J. Lipton tea company, has launched Lipton iced tea, and Coca-Cola, in a joint venture with Nestlé of Switzerland, has launched Nestea.

In March this year Coca-Cola introduced its own range of "new age" fruit drinks, such as Raspberry Psychic Lemonade and Grape Beyond, and PepsiCo has launched a range of lemonade drinks called Ocean Spray.

Meanwhile, Gatorade is also under siege. Coca-Cola is attacking its market with a sports drink called Powerade and PepsiCo with All Sport. Ominously, Quaker Oats suffered a slump in net profits to $61.4m from $91.4m in the quarter to September, partly because it had to spend more on marketing to defend Gatorade from competition.

Quaker Oats has acknowledged that the Snapple acquisition would dilute earnings per share by 45 cents to 55 cents in the year to June 1996. It has also said the deal would not begin to benefit the bottom line until the year to June 1998. If the share price is down, it is because some investors wonder whether even that could turn out to be too rosy a prognosis.

Metall Mining to shut down smelter for three years

By Bernard Simon in Toronto

Metall Mining, the international copper producer until recently controlled by Germany's Metallgesellschaft, plans to close its Copper Range smelter in Michigan next spring for about three years.

The Toronto-based company yesterday put a brave face on the shutdown and various changes in mining practices at Copper Range which have dented productivity. The changes coincide with proposed modifications to the smelter required by tighter environmental standards.

Mr Klaus Zeitler, Metall chief executive, said that the mining changes would have a detrimental effect on earnings for the rest of this year, "but in the long-term it will have a highly beneficial effect".

Metall's share price dipped by 75 cents to C$12 in early trading on the Toronto stock exchange.

The Copper Range news overshadowed an overall improvement in third-quarter performance, caused by rising metal prices and higher investment income.

Third-quarter earnings were C$6.1m (US$4.49m) or 7 cents a share, compared with a C$5.9m loss, equal to 9 cents a share, a year earlier.

Revenues climbed to C$208.5m from C$44.5m, largely as a result of last year's acquisition from Metallgesellschaft of a 35 per cent stake in Norddeutsche Affinerie, the European copper smelter.

Copper Range's cathode output fell to 22.6m lbs from 24.8m lbs, due to lower grades and productivity. Metall said that copper grades slid by more than 10 per cent during the quarter as a result of difficult mining conditions, and a decision to stop second-pass mining. Cash operating costs averaged US$1.05 a lb, up from 78 cents in 1993.

The suspension of second-pass, or pillar, mining, is designed to ensure stable rock conditions for solution mining, which is expected to be introduced in tandem with the smelter modifications.

Metall has reached an agreement with Canada's Hudson Bay Mining to process Copper Range concentrates for 33 months, starting next March.

Dr Zeitler said that Metall was keen to acquire another large copper mining project. Its interest was focused on South America. It suffered a setback recently with a failed bid for the Tintaya copper project in Peru. But Teck Corporation, in which Metall is a minority shareholder, unveiled plans yesterday for a final feasibility study of the large Petaquilla deposit in Panama.

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US operations help News Corp rise 15%

By Bruce Jacques in Sydney

News Corporation, Mr Rupert Murdoch's international media group, has begun the financial year with a solid rise in net earnings following strong results from the company's film and television operations in the US.

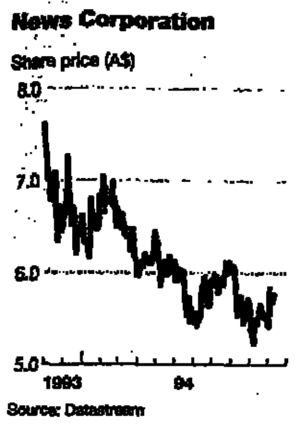
News Corp yesterday announced a 15 per cent rise in net profit to A$301m (US$232m) in the three months to end-September, from A$262m a year ago, on a 7.6 per cent increase in operating revenue to A$2.99bn from A$2.78bn.

A 43 per cent rise in earnings from associated companies and a lower net interest bill also helped earnings. However, Australian and UK newspaper interests were flat.

Most of its earnings came from the US, where operating income rose to A$283m from A$248m. Directors said profits from Twentieth Century Fox films had doubled in the quarter following successful releases such as *Speed* and *True Lies*. Results from the Fox television station group were also up strongly.

Magazine and inserts results, where operating income rose to A$74m from A$70m ,benefited from higher pricing and advertising revenues. But earnings from the HarperCollins book publishing operation eased to A$65m from A$76m, reflecting weaker results from the San Francisco group.

Operating income from UK operations fell to A$65m from A$75m, with directors citing the impact of The Times newspaper's price cut in June. "Circulation at The Times now stands at 607,143, an increase of more than 37 per cent versus a year ago," they said.



"At The Sun, circulation remains in excess of 4m copies following a 2p cover-price rise on August 22. On the advertising front, revenues are up across all titles, due to an improving advertising market and higher circulation levels."

Directors said BSkyB, the company's 50 per cent owned satellite broadcasting subsidiary (in which Pearson, owner of the Financial Times, has a stake), achieved a significant increase in operating profit, with total subscribers exceeding 3.6m.

The company's Australia and Pacific Basin region saw the biggest segmental earnings fall, with operating income down to A$40m from A$89m. Directors said revenue gains had been offset by higher depreciation charges due to plant modernisation.

Star TV, the 64 per cent owned satellite broadcasting subsidiary, incurred a loss.

Ansett, the 50 per cent owned Australian airline, continued to increase earnings, and with BSkyB, lifted the contribution from associated companies to A$106m from A$74m.

News Corp's direct operating income fell by 5.8 per cent to A$388m from A$412m, mainly reflecting last year's sale of the South China Morning Post and unfavourable exchange rates. However, currency changes also contributed to a fall in interest expense to A$154m from A$173m.

Tax provisions took A$47m compared with A$39m. This excludes a A$3m abnormal profit, compared with a A$16m loss previously.

US operations contributed the biggest share of group revenues, up to A$2.2bn from A$1.93bn. UK revenues eased to A$469m from A$471m and Australian revenues were down to A$375m from A$382m.

Japanese drugs groups withstand price cuts

By Emiko Terazono in Tokyo

Pharmaceuticals

Cost-cutting and strong sales of high-margin drugs offset the effects of weak overall sales growth to support earnings at leading Japanese pharmaceuticals companies for the first six months to September.

Interim results to September 1994 (Ybn)

	Sales	Change on year (%)	Recurring profit*	Change on year (%)	Net profit	Change on year (%)
Takeda	283.5	+0.5	40.7	+4.6	21.2	+13.8
Yamanouchi	136.3	+6.1	29.5	+5.4	16.0	+2.1
Fujisawa	117.5	+0.9	12.2	+5.1	4.5	+146.6
Shionogi	113.3	-0.6	11.0	-6.7	4.7	-13.3
Daiichi	105.7	+1.3	20.0	+2.9	9.4	+3.3

*before extraordinary items and tax. Source: Company reports

Although average drug prices were marked down by 6.6 per cent across the industry in April, after the ministry of health and welfare cut prescription drug prices, there was a sharp rise in sales the same month as customers, who had held back orders, rushed to take advantage of lower prices.

Profits were further supported by a sharp rise in sales of vitamin drinks, helped by an unusually hot summer.

Takeda Chemical said healthy sales of vitamin tablets boosted profits. Profitability at its pharmaceutical division, where sales rose 0.8 per cent, weakened due to drug price cuts and growing research and development costs. However, the healthcare products division benefited from strong sales of vitamin drinks to show a sales rise of 8.8 per cent. For the full year to next March, the company expects recurring profits to fall 0.2 per cent to Y77bn ($793.8m) on a 1.5 per cent rise in sales to Y570bn.

Yamanouchi Pharmaceutical saw strong sales of its stomach ulcer remedy Gastar, although sales of its interferon drug suffered from price cuts. The company will raise its interim dividend payment to Y8 per share from last interim's Y6.5. For the full year, it expects sales to rise 2 per cent to Y265bn on a 0.2 per cent increase in recurring profits to Y54.5bn.

Fujisawa Pharmaceutical saw firm drug sales, while profits were supported by a cut in research and development costs. After-tax profit rose sharply due to decreased appraisal losses on shares of its subsidiary, and smaller corporate tax payments. Annual sales are expected to fall 1.2 per cent to Y232bn, while current profits are expected to rise 10.3 per cent to Y22bn.

Shionogi said a fall in drug sales and interest revenue hurt profitability. The company suffered an average cut in drug prices of 4.8 per cent, while sales of its mainstay antibiotics were weak. For the full year to March, Shionogi expects a 1.4 per cent drop in sales, to Y227bn, on an 11 per cent fall in recurring profits to Y20.5bn.

Daiichi Pharmaceutical attributed an earnings rise to strong sales of its anti-bacterial agents. Cost cutting also helped. The company expects full-year sales to rise 1.2 per cent to Y210bn and current profits to increase 0.5 per cent to Y38.5bn.

Sankyo, which will report its earnings today, is expected to see solid profits growth, attributable to strong sales of its anti-cholesterol drug. However, revenues are expected to have suffered because of decreased sales of drugs made by Sandoz, the Swiss drug company.

NEWS DIGEST

WestLB studies reorganisation of investment side

Westdeutsche Landesbank Girozentrale, the German regional bank, is considering reorganising its investment banking activities in London, Reuter reports from Dusseldorf. However, the bank said it had not yet made definite decisions.

"We are thinking about our investment bank activities in London," the bank said. It declined to confirm reports that it planned to move its non-DM bond issuing business to London from Dusseldorf.

"We are not interested in encouraging speculation against the background of an ongoing review [of WestLB's activities]," the bank said.

Last month, Deutsche Bank, Germany's largest commercial bank, decided to put all its international investment banking activities in the UK capital, combining its activities with those of Morgan Grenfell, the UK merchant bank.

Sales to SA telecoms help lift Reunert 18%

Reunert, the South African technology group, has posted an 18 per cent increase in pre-tax profit, to R304m ($87m) from R257.9m for the year to September, helped by increased sales to South African parastatals Eskom and Telkom, writes Mark Suzman in Johannesburg.

Turnover, which for the first time includes brand names Panasonic, Nashua and Airomatic, rose 48 per cent to R3.5bn from R2.4bn. At the same time, an 8 per cent drop in the minority share of profit, to R40.6m from R44m, helped attributable profit surge 39 per cent to R150.54m from R108.2m.

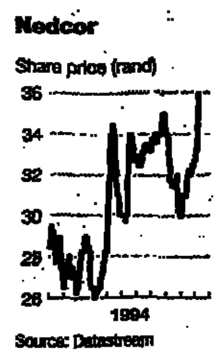
A final dividend of 19.5 cents has been declared, bringing the total for the year up 15 per cent to 27 cents compared with 23.4 cents.

China Airlines hit by private competition

China Airlines, Taiwan's flagship carrier, said sales in the first nine months fell 1 per cent compared with last year, to T$32.22bn (US$1.2bn), AP-DJ reports from Taipei.

The airline faces strong competition from Taiwan's first privately-owned international carrier, Eva Airways. CA's Japan and Hong Kong routes account for a large portion of sales.

Nedcor boosts net income 24% to R603m



Nedcor, the South African financial services group, has put in a solid performance for the year ended in September, raising net income 24 per cent to R603m from R486m previously, writes Mark Suzman. While interest income rose by only 10 per cent to R7bn from R6.4bn, a 16 per cent rise in non-interest revenue, to R1.37bn from R1.17bn, combined with a rise in expenses of only 9 per cent, to R4.97bn from R4.57bn, boosted total income to R3.4bn from R2.9bn.

Taxation rose 13 per cent to R363m from R320m, while a final dividend of 95 cents was declared, up 23 per cent from last year's 77 cents. The bad debt provision dropped 2 per cent to R277m from R282m.

Indonesian bank surges in first nine months

Bank Umum Nasional, the Indonesian bank, said unaudited after-tax profit for the first nine months this year rose 164 per cent to Rp39.11bn ($18m) from Rp14.82bn a year earlier, on a 16 per cent rise in revenue, AP-DJ reports from Jakarta. It attributed the sharp rise to a slower rate of increase in interest burdens, up only 6 per cent to Rp285.06bn.

Meanwhile, PT Lippo Bank, the banking arm of the diversified Lippo group, said its after-tax profit for the third quarter ended September 30 was Rp16.5bn, up 60 per cent.

Tiger Oats improves

Tiger Oats, South Africa's largest agricultural goods and foods supplier, attributed a 10 per cent gain in pre-tax profit, to R661.8m ($189.3m) in the year to September 30 from R599.7m in 1993, to restructuring and better cash management, AP-DJ reports from Johannesburg.

SA Breweries advances 21%

By Mark Suzman in Johannesburg

South African Breweries, the country's largest industrial company, recorded a 21 per cent rise in attributable profit, to R342m ($97.8m) for the six months to September, compared with R283m for the same period a year ago. The figure was broadly in line with market expectations.

An improvement in South African consumer confidence helped all divisions, which produced an overall 14 per cent rise in turnover to R12.9bn, up from R11.4bn previously. Improved margins meant that trading profit rose 19 per cent to R1.15bn from R971m.

Tax paid rose to R949m from R765m, while net financing costs dropped slightly to R241m from R249m a year ago. The interim dividend was lifted 21 per cent to 47 cents from 39 cents. Meanwhile, cash flow rose sharply to R1bn, well up on last year's R272m. The group attributed this to of its tight management of working capital.

The beer division, which contributes most of the bottom line, achieved earnings growth of 21 per cent. Meanwhile, the group's other interests, including Lion Match, Plate Glass Shatterprufe Industries and Afcol, showed a combined 20 per cent rise in earnings.

● SAB has has reached conditional agreement with China Resources Enterprise, the Hong Kong-listed subsidiary of the PRC state-owned China Resources Holding, to form a joint venture that will hold CRE's existing 55 per cent controlling interest in the Shenyang Brewery, China's second largest brewery.

SAB will pay $25m through its subsidiary Westgate Worldwide, which holds the group's international beverage activities, to participate in the joint venture.

Casino group in Sydney listing

By Bruce Jacques

Casinos Austria, the European casino operator, has announced plans to raise A$64.5m through a listing on the Australian Stock Exchange.

The company will offer a 45 per cent interest in a company called Casinos Austria International (CAI) as part of a plan for further expansion in the Asian region.

CAI will control the equity investments, management contracts and development rights of Casinos Austria's operations outside Europe. These include the operation or management of three Australian casinos, in Canberra and Cairns, and on Christmas Island.

Casino's Austria, which will retain a 55 per cent interest in the Australian group, operates 55 land and 21 shipboard casinos, with a further nine contracted for operation.

The parent company's president, Dr Leo Wallner, said yesterday the group would use Australia as a "launching pad" for expansion in the Pacific Rim.

The Australian company also holds options to participate in several of the parent's expanding casino operations, including projects in the US and Canada and on cruise ships operating from Greece.

CAI is projecting an increase in revenue to A$71.5m (US$53.8m) for 1995 from A$61.4m this year. A A$10.9m pre-tax profit has been forecast for 1995.

INTERNATIONAL CAPITAL MARKETS

Four years of explosive growth for GDRs

India leads the way as emerging markets embrace the global depositary receipt, reports Martin Brice

The global depositary receipt, a financial instrument with humble beginnings, has been pushed into the spotlight by the increasing globalisation of equity markets and a steep increase in demand for capital from companies in the emerging markets of Latin America, Asia and eastern Europe.

Since its birth with the first humble $40m issue in 1990, the GDR market has experienced rapid growth. Issues to date this year exceed $5.5bn, an increase by a factor of 137 since 1990. Growth has outpaced that of the international bond markets, where issuance doubled to $481bn between 1990 and 1993.

Growth has been particularly rapid in India, where use of the depositary receipt mechanism allows international investors to circumvent the 45-day settlement period on the Bombay Stock Exchange.

The attraction of ease of settlement is likely to lead to a further spurt in growth of the GDR market as Russian companies seek international capital. Using local stock exchanges to raise the money needed for investment and modernisation would be impossible.

Already Kleinwort Benson, the UK merchant bank, is planning a multi-billion GDR when Gasprom of Russia, the world's biggest gas company, sells a 9 per cent stake to international investors next year.

As well as ease of settlement, use of a GDR allows international investors access to equity markets which would otherwise be out of reach.

Jardine Fleming, the UK-based investment bank, has constructed a $250m issue for Benpres, the largest broadcasting group in the Philippines, to allow foreigners to own GDRs but not the underlying shares, because there are restrictions on foreigners holding media shares in the Philippines.

One of the leading banks in the sector, Jardine Fleming also recently arranged a GDR for an Indian company that uses wind power to produce electricity, which was heralded as the first "green" GDR.

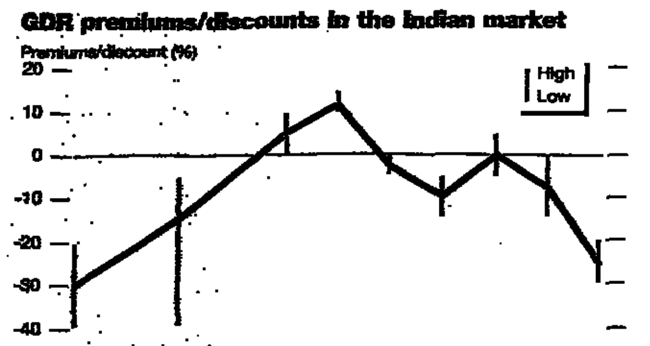
More generally, growth in the GDR market is partly a reflection of the globalisation of the world's equity markets, as investors in mature economies seek opportunities in emerging markets and as companies in those markets seek international capital.

This trend is noted in a recent report* on the global capital market by McKinsey Global Institute, the management consultants. The report says: "There will be a coincidence of needs between the high savings of the developed world that will be seeking high returns and the abundance of high-return investment opportunities in the developing world that will require external capital and know-how."

This coincidence of needs has come to a head in India, where the government has embarked on a process of liberalisation of foreign trade and investment.

The GDR has been used by Indian companies to raise more than $2.2bn so far this year, making India the biggest GDR market in the world. By the end of this year, almost $2.5bn in GDR issues will have come from India. Last year the total was less than $900m.

GDR premiums/discounts in the Indian market



Source: Jardine Fleming

Since the first Indian GDR was issued in 1992, 50 Indian companies have received almost $4bn of the $11bn raised from GDR issues.

Mr Ian Hannam, a director of Jardine Fleming, believes India has many attractions over other emerging markets. "The real attractions are the existence of a middle class the size of the entire USA, and a recognised legal and accounting framework for the ownership of assets."

The absence of a legal framework for the ownership of assets is a problem for the emerging economies of eastern Europe, but not for India, he said.

The year started well for Indian GDRs, with about a dozen issues in January and February. They were well received, with international investors paying a premium of about 11 per cent for the depositary receipt over the underlying shares.

However, sentiment deteriorated in February, partly because yields on US Treasury bonds rose. International investors began to sell their GDRs, which fell to a discount of about 5 per cent to the underlying shares.

As the price of GDRs fell, the discount deepened to around 15 per cent as international investors began to put funds aside for the sale in May of Videsh Sanchar Nigam (VSNL), the state-controlled international telecommunications monopoly.

The Indian government postponed that sale, which it had hoped would bring in $1bn. However, investors believed that the price, set by the government in consultation with VSNL and global co-ordinators Kleinwort Benson of the UK and Salomon Brothers of the US, was too high.

The postponement was regarded at the time as India's biggest setback in the international capital markets since Indian issuers first raised funds.

Meanwhile, the Indian government's recent announcement that it is changing the rules for companies issuing GDRs may mean the market is about to enter a new phase.

India has ended the use of warrants, which give investors the right to buy shares at a fixed price in the future. Warrants were often used to make an offer more attractive, since they could be priced more cheaply than existing shares.

The end of warrants is likely to mean a two-tier market emerging for Indian GDRs, believe some investment bankers. Whereas blue-chip companies like Bajaj Auto, whose issue was priced at a premium to the underlying share, are likely to find an enthusiastic welcome, second-line companies are likely to struggle, bankers believe.

However, with more than 20 permissions given by the Indian government for fund-raising issues of $100m currently outstanding, the GDR has an active future.

At least one London merchant bank is believed to be looking at using GDRs to finance telecom projects in India, which is likely to remain the biggest market for GDRs.

HOW THE BANKS LINE UP

Bookrunner	US$m	No of issues
1 Goldman Sachs	2,120	14
2 Jardine Fleming	1,579	10
3 CSFB	777	8
4 HSBC	770	10
5 Morgan Stanley	770	7
6 BZW	696	8
7 Baring Brothers	624	10
8 Banco Roberts	535	2
9 Banque Paribas	446	6
10 Lehman Brothers	368	5
11 Merrill Lynch	316	5
12 Salomon Bros	304	3
13 Schroder Wagg	280	2
14 JP Morgan	276	2
15 Kleinwort Benson	225	2
16 Deutsche Bank	142	1
17 Citicorp	126	2
18 Daiwa	118	2
19 Smith Barney	107	1
20 S.G. Warburg	95	2
21 Peregrine Capital	90	2
22 Crosby Securities	55	1
23 Banque Indosuez	52	2
24 Banamex Accival	51	1
25 N.M. Rothschild	50	1
26 Lazard Brothers	35	1
26 Lucky Securities	35	1
26 Nikko Securities	35	1
29 Dresdner Bank	18	1
29 UBS	18	1
Total	11,113	114

Source: Euromoney Bondware

The McKinsey report says: "We believe we are... at a midpoint of a 50-year process in... a fundamental transformation of how the world's economy works." The GDR looks set to play an important part in the globalisation of equity markets.

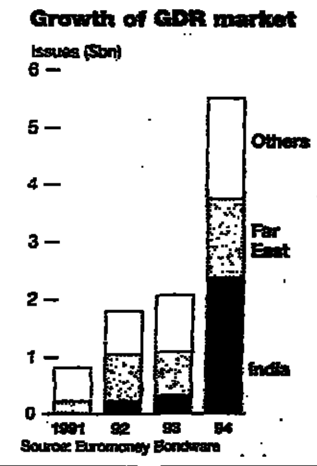
* *The Global Capital Market: Supply, Demand, Pricing and Allocation; McKinsey Global Institute, Washington DC.*

Share surrogate that is easy to trade and settle

Depositary receipts have enjoyed such success because they can make buying and selling equity in a company easier for international investors than buying and selling the shares on a local stock exchange, writes Martin Brice.

- The depositary receipt represents ownership of shares which remain in safe-keeping with a bank in the issuer's home market, often either Bank of New York or Citibank. The receipt itself may be traded elsewhere.
- Dividend payments are usually in US dollars, and voting rights are usually the same as for the underlying stock.
- There is little technical difference between a global depositary receipt (GDR) and an American depositary receipt (ADR), although depositary receipts listed in the US tend to be called ADRs while GDRs are often listed elsewhere – for instance in Luxembourg and increasingly in London.
- The first ADR was issued in 1927, but the first GDR came only four years ago. The forthcoming listing by TeleWest, the UK cable television and telecommunications company on the US exchange Nasdaq will be called an ADR, but may be bought by any international investor; the recent issue by Bajaj Auto, the the Indian scooter maker, was listed in London and called a GDR.
- When investors buy and sell GDRs, settlement may be through Cedel, Euroclear or DTC, the US settlement system.
- Issuing a GDR would cost a company around $100,000. A depositary receipt offered and listed in the US would cost a company up to $1m, of which about half would go on lawyers' fees.
- GDRs and the shares they represent are traded independently. Where there are barriers to international investors accessing the local stock market, the GDR may fetch a lower or higher price than the shares in the home market.
- In 1990 Citibank, the US bank, pioneered GDRs with a $40m issue for the Korean company Samsung. In May this year Citibank developed the Singapore depositary receipt, which allows companies outside Singapore to offer depositary shares to Singapore investors.
- Much of the business is now sourced from investment banks in London, with Goldman Sachs and Jardine Fleming the leaders.
- About 90 depositary receipts are traded via Seaq International and listed on the Luxembourg stock exchange. Around 275 depositary receipt programmes are listed in the US.

Growth of GDR market



Source: Euromoney Bondware

CBoT to assist Poland with new futures exchange

By Laurie Morse in Chicago

The Chicago Board of Trade will today sign an agreement with Polish officials to help establish a new futures exchange in Warsaw. The Chicago exchange has promised to contribute its expertise in market development in return for unspecified fees and 15 per cent ownership of the new exchange.

Although US futures exchanges have informally assisted emerging markets for years, this is the first time one has commanded an ownership stake in a new venture.

The CBoT's agreement is with a foundation led by the Polish government agency for agricultural markets and Rolimpex, a Polish agri-business concern.

Mr Patrick Arbor, the CBoT's chairman, said the agreement was the first of a series of innovative international business arrangements his exchange expects to make.

The membership equity gained from the Warsaw exchange "will provide additional trading opportunities for our members and member firms," Mr Arbor said.

Polish officials see the creation of a commodities exchange as an important step in the transition to a free market economy. They expect wheat to be the first commodity traded there.

However, futures trading may be a long way off for the country, which first needs to develop a free primary market for grain, and a legal framework for a futures market.

Mr Fred Grede, the CBoT's senior vice-president in charge of operations and planning, acknowledges the difficulties that face the venture. "One of the key questions is how to create a properly functioning cash market," he said. He added that his exchange plans to use the expertise of its membership to help develop the underlying systems needed to support futures trading.

Goldman Sachs initiated the talks between the CBoT and Poland, and intends to continue to serve as an adviser and consultant on the project.

Chemical Bank unit in Liffe joint venture

By Richard Lapper

Seagray Fosh Futures, an independent UK futures and options broker, is to set up a 50-50 joint venture with with Chemical Futures & Options (UK), a subsidiary of Chemical Bank of the US.

The new company, SGF Chemical Futures and Options, will deal in both futures and options on Liffe, taking advantage of Seagray's position as a leader in the exchange traded options market in London.

It will make also use CF&O's existing expertise in clearing and settlement, providing a "one-stop service" for both execution and clearing of trades.

The new venture is keen to increase its presence in the futures market and also hopes to be better placed to meet increased demand from hedge funds, many of which want a combined execution and clearing service, said Mr Matthew Fosh, a director and co-founder of Seagray.

Unlike bank traders, hedge funds generally buy clearing services from third parties, explained Mr Fosh.

Seagray, which employs a team of 25, was set up by Mr Fosh and Mr James Campbell-Gray, an independent trader on Liffe since its inauguration.

Mr Fosh previously worked at stockbrokers Strauss Turnbull and then Sheppards.

CF&O was set up in April 1990 to complement Chemical Futures & Options Inc's Chicago and Philadelphia operations and help capture the global growth in exchange-traded derivatives.

THE EMERGING MARKETS STRATEGIC FUND
Société d'Investissement à Capital Variable
2, boulevard Royal, Luxembourg
R.C. LUXEMBOURG B-28252

NOTICE

Is hereby given that an

Extraordinary General Meeting

Will be held at the offices of Banque Internationale à Luxembourg, 69, route d'Esch, L-1470 Luxembourg on November 25, 1994, at 2.30 p.m.

The main subjects to deliberate on, are the possibility of creation of a second class of shares, so that the shareholders may have the option to detain "Capitalisation Shares" (not entitling to dividends) and the "Distribution Shares" (entitling to dividend).

Furthermore, in order to comply with the Law, a second Net Asset Value will be calculated monthly. As the Articles of Incorporation have to reflect these new provisions, the shareholders are invited to deliberate on the following agenda:

AGENDA

A) Article 5
- Adding of a paragraph providing for two different classes of shares.

B) Article 11
- Amendment of the 2nd paragraph so as to evidence the existence of two different classes of shares.

C) Article 16
Actually, the Corporation may invest in securities admitted to official listing on a recognised stock exchange in any State member of the OECD, Asia, Oceania, the American continents and Africa.
It is proposed to enlarge this list so as to include also the States member of Europe.

D) Article 21
- Amendment of the first paragraph so as to specify that Shares may be redeemed on each 15th and last calendar day of each month, provided that any redemption request is to be given by at least 15 days prior to notice to the date on which the redemption shall be applicable. Furthermore, if total redemption requests on one Redemption Date exceed 10% of the total net assets of the Corporation, the Board of Directors may reduce such total request to 10%. Any redemption request so reduced shall be effected by priority as of the next Redemption Date.
- Amendment of the 2nd paragraph so as to provide for payment of the redemption price no later than seven business days after the applicable Valuation Date.
- Adding of a new paragraph providing for the possibility of conversion of "Distribution of Shares" into "Capitalisation Shares" and vice-versa.

E) Article 22
- Amendment of the 1st paragraph so as to determine calculation of the Net Asset Value per share of each class twice monthly.
- Amendment of the 2nd paragraph so as to evidence the existence of two different classes of shares.

F) Article 23
- Amendment of the 1st paragraph so as to evidence the existence of two different classes of shares.
- Adding of a paragraph describing the methods of determination of the Net Asset Value of Shares of the different classes.

G) Article 24
- Amendment of the 1st sentence so as to evidence the existence of two different classes of shares.

H) Article 26
- Amendment of the 1st paragraph and adding of a new one, evidencing the difference in the appropriation of the annual profits for the two classes of shares.

I) Article 28
- Amendment of the last sentence so as to evidence the existence of two different classes of shares.

J) Article 29
- Adding of a new paragraph evidencing the existence of two different classes of shares.

The meeting convened for the same purpose to be held on October 19, 1994 had to be adjourned for lack of quorum.

Shareholders are advised that at this meeting no quorum is required and the decision will be passed by a majority of two thirds of the shares present and voting.

In order to attend the meeting of THE EMERGING MARKETS STRATEGIC FUND, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the company or with Banque Internationale à Luxembourg, 69, route d'Esch, L-1470 Luxembourg.

The Board of Directors

NOTICE OF PARTIAL REDEMPTION

Nacional Financiera, S.N.C., Trust Division
as Trustee of the Nafin Finance Trust
Guaranteed Floating Rate Notes Due 1997
CUSIP No. 629718-AA5*

NOTICE IS HEREBY GIVEN, pursuant to the Indenture dated as of December 15, 1992 under which the above described Notes were issued that Nacional Financiera, S.N.C., Trust Division, as Trustee of the Nafin Finance Trust will redeem on December 15, 1994, 14.617729235457% of the Outstanding Principal Amount of the Notes, amounting to $11,510,000.00 on a pro rata basis in accordance with their respective Outstanding Principal Amounts. The amount of principal to be paid with respect to each $10,000 principal is $575.50.

On December 15, 1994, there will become due and payable on each Note the above amount, together with interest accrued to December 15, 1994. On and after such date interest will cease to accrue on the Notes (or portion thereof so redeemed).

Payment of the redemption amount plus accrued interest on Bearer Notes will be made upon presentation and surrender of the appropriate coupon to one of the Paying Agents listed below:

Citibank, N.A.
336 The Strand
London, WC2R 1HB
England

Citibank (Luxembourg) S.A.
16 Avenue Marie-Therese
Grand Duchy of Luxembourg
Luxembourg

Citibank, N.A., *as Note Trustee*

November 10, 1994

**This CUSIP number has been assigned by Standard & Poor's Corporation and is included solely for the convenience of the holders. Neither the Issuer nor the Note Trustee shall be responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness on the Notes or as indicated in this notice.*

NOTICE

As of January 1, 1993, withholding of 31% of gross proceeds of any interest payment made within the United States may be required by the Internal Revenue Code of 1986, as amended by the Energy Policy Act of 1992, unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

NOTICE TO THE WARRANTHOLDERS OF

Q.P. Corporation
(the "Company")

U.S.$150,000,000
3.5 per cent. Bonds with Warrants 1994

Pursuant to Clause 3 of the Instrument dated 15th December, 1989 (the "Instrument") relating to the above captioned Warrant notice is hereby given as follows:

In accordance with the resolutions of the Board of Directors of the Company adopted at the meeting held on 21st October, 1994 the Company authorised a free distribution of common stock to be made to shareholders of record at 30th November, 1994 at the rate of one new share to each ten shares held.

As a result of the above distribution, the Exercise Price has been adjusted pursuant to Clause 3 of the Instrument as set forth below:

Exercise Price before adjustment:	¥1,847.10
Exercise Price after adjustment:	¥1,679.20
Effective date of adjustment:	1st December, 1994 (Japan time)

Q.P. Corporation
By: The Sumitomo Bank, Limited
as Fiscal Agent

10th November, 1994

The Republic of Panama

US$417,402,000
Floating rate serial notes
1996-2002

The notes will bear interest at 7.125% per annum for the interest period 10 November 1994 to 10 May 1995. Interest payable on 10 May 1995 will be US$35.82 per US$1,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Citicorp Banking Corporation
U.S. $250,000,000
Guaranteed Floating Rate Subordinated Capital Notes Due July 10, 1997
Unconditionally Guaranteed on a Subordinated Basis by
CITICORP

Pursuant to Paragraph (d) of the Terms and Conditions of the Notes notice is hereby given that the period in respect of Coupon No. 43 will run from November 28, 1994 to December 28, 1994. A further notice will be published advising Rate of Interest and Coupon amount payable.

November 10, 1994, London
By: Citibank, N.A. (Issuer Services), Agent Bank
CITIBANK

INTERNATIONAL CAPITAL MARKETS

Treasuries rise on heels of dollar rally

By Lisa Bransten in New York and Conner Middelmann in London

US Treasury prices rose on the heels of a rally in the dollar yesterday morning as traders sorted through the impact of strong Republican gains in Tuesday's mid-term elections and prepared for the afternoon auction of 10-year notes.

By midday, the benchmark 30-year government bond was up $\frac{5}{16}$ at $93\frac{3}{16}$, yielding 8.088 per cent. At the short end, the two-year note was up $\frac{1}{32}$ at $99\frac{3}{4}$ to yield 6.994 per cent.

News that Republicans will control both houses of the US legislature pushed the value of the dollar up more than two pfennigs against the D-Mark to DM1.5273 and to Y97.73 against the Japanese yen. The dollar recovery helps bonds because recent weakness in the currency has deterred investors from buying US instruments such as government securities.

Gains by the dollar also contributed to the rise in bond prices by boosting optimism about demand for the 10-year notes to be auctioned later in the afternoon.

The reaction of the bond markets was somewhat restrained, however, as investors waited for the increase in interest rates expected to come from next Tuesday's meeting of the Federal Reserve's open market committee.

Most analysts expect a 50 basis point increase that would bring the Federal funds target to 5¼ per cent, but some are predicting the Fed might push the target as high as 5½ per cent.

Traders were also waiting for today's report from the government on the producer price index. Analysts expect a 0.1 rise in the index for October, but worry that a much greater increase could provoke an early or large increase in interest rates by the Fed.

■ European government bonds were swept up by strength in the US market and closed near their day's highs. However, they shed some of their gains in after-hours trading as Treasuries began to come off their highs.

Ahead of next week's FOMC meeting, European markets are expected to continue

GOVERNMENT BONDS

closely tracking US developments, with today's release of October producer prices expected to be keenly watched.

■ German bunds rose by more than ½ point, buoyed by the rally in US Treasuries and the smooth auction of another large chunk of the government's latest 10-year bond. The December bund future on DTB rose 0.58 to 89.98.

The Bundesbank sold DM3.99bn of the 7.5 per cent bonds at 99.82 and above. The weighted average issue price was 99.84, with an average yield of 7.52 per cent.

Market participants today will be watching the meeting of the Bundesbank's policy-making central bank council, although most dealers said they were not expecting a change in official interest rates, nor a return to a system of variable-rate securities repurchase agreements.

■ UK gilts followed US and European bond markets higher, with the December gilt futures contract rising by $\frac{19}{32}$ to $101\frac{19}{32}$.

Most of the gains were in the futures market, however, with dealers reporting very little investor participation. Apart from awaiting the FOMC meeting, dealers are also looking to next week's raft of UK economic indicators, including retail prices and jobs data.

■ French bonds slightly outperformed bunds, causing their yield premium over the German 10-year benchmark to fall to 69 from 71 basis points.

However, political uncertainty and intra-party bickering in the right-wing camp ahead of the Presidential elections in May are likely to continue weighing on bonds in coming months, causing them to under-perform bunds, said Mr Adrian Owens, European economist at Yamaichi.

"There's only one way that spread will go," he said, adding he expects the yield gap to widen to around 90 basis points by year-end.

■ Italian bonds also rose sharply, buoyed by strength in other markets, the breach of key technical resistance on the BTP futures contract and recent calm on the political front. The December BTP future on Liffe rose 0.68 to 101.03.

Lawsuits may force ruling on interest rate futures

Two large commercial end-users of derivatives, Gibson Greetings Company and Ohio-based Procter and Gamble, are suing their long-time financial adviser, saying in separate cases that Bankers Trust failed to disclose fully the risks and terms of interest rate swaps that turned into significant loss-makers when US rates turned higher early this year.

This by now is old news. However, the cases have the potential to be landmarks in the debate over derivatives regulation for at least two reasons.

First, if the suits are not settled and progress to trial, the world will be treated to its first intimate glimpse of how the massive private bank market in swaps really operates.

In spite of numerous authoritative studies of over-the-counter derivatives markets during the past 18 months, none has actually dissected the mechanics of an individual trade nor described the confidential courtship and consumating exchanges that occur between counterparties.

Investment banks, who serve as adviser, designer and counterparty in these tailored trades, and often also calculate the price base for the cash streams they generate, may as an industry find themselves uncomfortable with the detailed disclosure the judicial fact-finding process requires.

Swaps dealers contend that they act in the best interest of their clients, and value the long-term relationship. However, potential conflicts of interest can only be highlighted by the discovery process.

Second, both Procter and Gamble and Gibson Greetings have brought their suits to the federal courts under the anti-fraud and anti-manipulation provisions of the Commodity Exchange Act, the body of law that governs US futures and options on futures.

To be successful in this pursuit, the companies will have to prove that the interest rate swaps in question are futures, and as such, are subject to oversight by the Commodity Futures Trading Commission, the US futures regulator.

Many derivatives players sniff at this strategy, saying it is generally accepted that OTC swaps are not futures. The

DERIVATIVES

CFTC contributed to this perception in 1992, when it exempted OTC swaps transactions from most of its oversight authority. In fact, US law has no clear definition of what a "future" is, and the CFTC avoided the issue when granting its swaps exemption.

US law does require that anything judged a futures contract be traded on a listed exchange. Thus, as the swaps industry developed, it hung at the edge of legitimacy. If a disgruntled counterparty sued, and proved in court that a swap was a future, the contract could immediately be deemed illegal, because it was traded off-exchange.

The CFTC's 1992 exemption lifted that judicial jeopardy, effectively saying: "If a swap is found to be a future, it doesn't have to be exchange-traded to be legal." However, that swap would still have to comply with the agency's anti-fraud rules.

Ms Mary Schapiro, the CFTC's new chairperson, may actually be supporting a new view that swaps could be futures, by saying she wants to review the suitability requirements for institutional counterparties that is currently contained in the exemption. She is also considering creating an office within her agency that deals solely with OTC derivatives, and reports directly to her.

Further, she has indicated that she would like to write stand-alone anti-fraud provisions for swaps, since the existing ones for listed futures do not transfer sensibly to OTC markets.

Ms Schapiro, who has bi-partisan support in Washington and comes to the CFTC from a seat on the Securities and Exchange Commission, may in fact be jockeying to fill in a regulatory void in Washington. The older and larger SEC only has jurisdiction over swaps that can be proved to have securities components, while the CFTC can govern swaps only if they can be proved to be futures, which to date has not happened.

Taking a leadership role and assuming the OTC derivatives turf for her agency might be a politically astute move for Ms Schapiro, who, unlike her predecessors, enjoys unusual support from the SEC. In doing so, she is aware she will have to shed her agency's reputation as a limp regulator.

Industry attorneys point out that the recent spate of derivatives lawsuits in itself proves an industry contention that additional regulation is not needed for swaps: that big, sophisticated companies entering into derivatives contracts have the resources to fight out their disagreements through the courts, and do not need special government protection.

"I can't think of any federal regulation that could have been written that would have kept Procter and Gamble from losing what it alleges it lost," says one Washington lawyer.

Laurie Morse

EIB follows sterling issue with L400bn deal

By Richard Lapper and Martin Brice

Following its £200m issue on Tuesday, the European Investment Bank launched a L400bn bond, led by BNL, BCI and Cariplo and fungible with an outstanding L500bn.

BNL said the deal met strong

INTERNATIONAL BONDS

demand from institutional and retail investors in Italy and the Benelux countries.

There were a number of issues at the short end of the dollar sector, again following recent trends. A $250m two-year bond, issued by SBC Finance Cayman Islands, a financing company owned by SBC, and priced at 8 basis points above the equivalent US Treasury, was well received according to SBC, which led the issue, with strong demand from Swiss institutional and retail investors.

Merrill Lynch also saw good demand from European investors for its $100m floating-rate note issue, paying a coupon of 20 basis points over three-month Libor. The FRN was the second by Merrill this year.

European, Asian and Latin American investors were attracted by a $65m three-year issue by Credibanco, a Brazilian bank, priced at 430 basis points over the equivalent Treasury and led by Paribas.

The issue was planned before the Brazilian government's recent decision to increase the tax on eurobond issues from 3 per cent to 7 per cent. Dealers say the tax increase is unlikely to dissuade new issuers, and point to a number of banks lining up sizeable deals over the next two to three weeks.

Hemispheric Funding Corporate Series 1994A, a special-purpose funding vehicle, launched $300m of floating-rate notes. The issue, led by Goldman Sachs, is guaranteed by Capital Markets Assurance Corporation, a US financial guarantee insurance company which enjoys a triple A rating.

Electricité de France made a rare appearance in the euromarkets with a Y30bn deal with a 4¾ per cent coupon via Nomura, which said the deal met strong demand in Tokyo, with very few bonds placed in Europe.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Hemispheres Funding Corp‡	300	(a)	100.0R	Nov.2001	0.30R	-	Goldman Sachs Intl
SBC Finance Cayman Islands	250	7.125	99.87R	Dec.1996	0.125R	+8 (6⅞%-96)	SBC
Merrill Lynch & Co.‡	100	(c)	100.00	Feb.2000	(c)	-	Merrill Lynch Intl.
Credibanco	65	11.825#	99.96R	Nov.1997	1.00R	+430(7⅛%-97)	Paribas Cap. Mkts.
YEN							
Electricite de France	30bn	4.75	99.70R	Dec.2001	0.30R	-	Nomura Intl.
ITALIAN LIRE							
European Investment Bank(b)	400bn	7.625	96.195	Nov.1996	1.125	-	BNL

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. +Unlisted. §Convertible. ♦With equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Pays 3 month Libor + 48bp. Callable on any payment date at par plus accrued interest. b) Fungible with existing Lire500bn deal + 20 days accrued interest. c) Coupon pays 3 month Libor + 20bp. Fees undisclosed.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	89.7800	+0.060	10.70	10.58	10.20
Belgium		7.750	10/04	96.2500	+0.690	8.32	8.56	8.45
Canada *		6.500	06/04	83.3500	+0.460	9.15	9.22	9.00
Denmark		7.000	12/04	87.2500	+0.430	8.97	9.04	8.94
France	BTAN	8.000	05/98	101.3750	+0.250	7.50	7.56	7.48
	OAT	5.500	04/04	82.7800	+0.540	8.18	8.39	8.11
Germany Treu		7.500	09/04	99.8600	+0.640	7.51	7.69	7.56
Italy		8.500	08/04	81.7900	+0.560	11.68†	11.89	11.75
Japan *	No 119	4.800	06/99	102.7380	-	4.10	4.06	4.16
Japan	No 164	4.100	12/03	95.7150	-0.120	4.78	4.69	4.78
Netherlands		7.250	10/04	97.9200	+0.680	7.55	7.69	7.52
Spain		8.000	05/04	-	-	-	11.31	11.09
UK Gilts		8.000	06/99	90-11	+9/32	8.50	8.63	8.42
		6.750	11/04	87-19	+15/32	8.62	8.74	8.59
		9.000	10/08	103-06	+17/32	8.60	8.70	8.59
US Treasury *		7.250	08/04	95-10	+14/32	7.95	7.95	7.68
		7.500	11/24	93-13	+20/32	8.09	8.09	7.89
ECU (French Govt)		6.000	04/04	83.6700	+0.510	8.58	8.76	8.60

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	7¾	One month	5.72	Two year	6.99
Broker loan rate	8½	Two month	5.38	Three year	7.34
Fed.funds	4¾	Three month	5.35	Five year	7.84
Fed.funds at intervention	-	Six month	5.88	10-year	7.94
		One year	6.32	30-year	8.08

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	110.26	110.78	+0.70	110.96	110.20	197,962	133,608
Mar	109.40	109.94	+0.70	110.04	109.40	758	12,353
Jun	108.56	109.10	+0.70	109.18	108.56	82	3,090

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Nov	Puts Dec	Puts Mar
110	1.15	1.72	-	0.33	1.82	2.70
111	0.51	-	-	0.76	-	-
112	0.21	0.85	-	1.46	-	-
113	0.07	0.58	-	2.30	-	-
114	0.03	0.34	-	-	-	-

Est. vol. total, Calls 26,292 Puts 47,032. Previous day's open int., Calls 298,424 Puts 385,277.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.50	90.01	+0.66	90.14	89.45	210616	180872
Mar	88.50	89.01	+0.63	89.15	88.47	13018	17992

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
9000	0.60	0.50	0.75	0.92	0.59	1.49	1.74	1.91
9050	0.38	0.35	0.56	0.73	0.87	1.84	2.07	2.22
9100	0.22	0.24	0.43	0.56	1.21	2.23	2.42	2.57

Est. vol. total, Calls 35235 Puts 20588. Previous day's open int., Calls 289753 Puts 224159

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100.46	101.17	+0.82	101.37	100.46	42908	48935
Mar	99.40	100.01	+0.79	100.13	99.40	476	8932

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
10100	0.81	1.99	0.64	2.92
10150	0.55	1.72	0.88	3.21
10200	0.35	1.53	1.18	3.52

Est. vol. total, Calls 2273 Puts 2002. Previous day's open int., Calls 25588 Puts 31282

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) Nov 8

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	86.10	86.19	+0.08	86.19	85.97	25,949	77,816

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101-05	101-19	+0-19	101-23	101-04	58517	106632
Mar	100-19	100-25	+0-17	100-27	100-18	1050	62

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
101	1-06	1-63	0-32	2-13
102	0-36	1-34	0-62	2-48
103	0-15	1-10	1-41	3-24

Est. vol. total, Calls 5661 Puts 8039. Previous day's open int., Calls 78487 Puts 48485

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	80.16	80.72	+0.64	80.88	80.16	4,224	6,752

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	96-27	97-07	+0-15	97-11	96-24	286,701	392,282
Mar	96-05	96-18	+0-15	96-22	96-05	12,362	20,037
Jun	96-01	96-00	+0-16	96-03	95-29	129	11,305

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	107.59	-	-	107.60	107.39	4556	0
Mar	106.86	-	-	106.87	106.87	701	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Nov 9	Day's change %	Tue Nov 8	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	119.56	+0.21	119.30	1.63	9.83
2 5-15 years (23)	138.96	+0.50	138.26	1.51	11.49
3 Over 15 years (8)	155.82	+0.68	154.76	2.40	10.87
4 Irredeemables (6)	174.94	+0.47	174.12	0.38	13.47
5 All stocks (61)	136.41	+0.44	135.81	1.70	10.93
Index-linked					
6 Up to 5 years (2)	185.89	+0.01	185.88	0.52	5.07
7 Over 5 years (11)	173.51	+0.10	173.34	0.97	4.36
8 All stocks (13)	173.92	+0.09	173.76	0.92	4.41
Debentures and Loans					
9 Debs & Loans (77)	127.74	+0.68	126.88	2.40	9.57

Yields	Low coupon Nov 9	Low coupon Nov 8	Low coupon Yr. ago	Medium coupon Nov 9	Medium coupon Nov 8	Medium coupon Yr. ago	High coupon Nov 9	High coupon Nov 8	High coupon Yr. ago
5 yrs	8.57	8.65	6.11	8.61	8.89	6.36	8.77	8.86	6.60
15 yrs	8.51	8.58	7.06	8.64	8.72	7.19	8.88	8.95	7.39
20 yrs	8.48	8.54	7.17	8.64	8.72	7.24	8.79	8.86	7.41
Irred.†	8.57	8.61	7.29						

Index-linked	Inflation 5% Nov 9	Inflation 5% Nov 8	Inflation 5% Yr. ago	Inflation 10% Nov 9	Inflation 10% Nov 8	Inflation 10% Yr. ago
Up to 5 yrs	4.08	4.07	2.35	2.96	2.95	1.56
Over 5 yrs	3.87	3.88	3.16	3.89	3.89	2.99

Debentures and Loans	5 year yield Nov 9	5 year Nov 8	5 year Yr. ago	15 year yield Nov 9	15 year Nov 8	15 year Yr. ago	25 year yield Nov 9	25 year Nov 8	25 year Yr. ago
9 Debs & Loans	9.66	9.74	7.72	9.61	9.69	8.14	9.57	9.65	8.29

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 9	Nov 8	Nov 7	Nov 4	Nov 3	Yr ago	High*	Low*
Govt. Secs. (UK)	91.39	90.89	91.04	91.69	91.45	102.58	107.04	89.54
Fixed Interest	107.69	107.59	108.01	107.84	107.62	123.28	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 8	Nov 7	Nov 4	Nov 3	Nov 2
Gilt Edged bargains	80.4	79.5	86.2	78.3	87.3
5-day average	82.0	81.6	81.7	79.0	80.0

UK GILTS PRICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 9

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	87⅝	87⅞	+½	8.60
Alberta Province 7⅞ 98	1000	98¾	99⅛	+¼	8.00
Austria 8½ 00	400	101⅝	102	+¼	8.09
Bank Ned Gemeenten 7 99	1000	96⅛	96⅜	+⅛	7.99
Bank of Tokyo 8⅜ 96	100	101	101⅝		7.54
United Kingdom 7⅛ 97	5500	101	101⅛	+⅛	6.74
Volkswagen Intl Fin 7 03	1000	93⅝	94¼		8.05
World Bank 0 15	2000	20⅜	21	+¼	7.83
World Bank 5⅞ 03	3000	88⅛	88¼	-⅛	7.76
World Bank 8¾ 00	1250	109¾	112½	+½	6.55
Abbey Natl Treasury 8 03 £	1000	91¼	92	+½	9.45
Alliance Leics 11⅜ 97 £	100	105¾	106⅛		8.66
British Land 8⅞ 23 £	150	89¼	89¾	+1⅛	10.27
Denmark 6¾ 98 £	800	93⅝	93⅞	+¼	8.78
EIB 10 97 £	637	103¼	103½	+⅛	8.31
Halifax 10⅞ 97 £	100	103¾	104⅛		8.48

[illegible]

Analysts trim forecasts as 13% profits growth disappoints City

Amersham restricted to £19.6m

By Daniel Green

A disappointing performance in Japan and continental Europe limited first half profits growth at Amersham International.

The health science group lifted pre-tax profits for the six months to September 30 by 13 per cent to £19.6m (£17.4m) on sales up 6 per cent at £163.1m (£153.7m).

Mr Bill Castell, chief executive, acknowledged that the results were at the low end of analysts' expectations. The share price fell 69p to 928p.

He said that the sluggishness of life sciences, the company's largest division, had been caused by bureaucratic delays in government funding of research, especially in Japan and France. Research laboratories are among Amersham's best customers. In addition, the dollar's weakness boosted the competitiveness of US rivals.

Life sciences' operating profits were £15.3m (£15.6m) on turnover of £74.4m (£72.4m).

The industrial division, involved in industrial quality and safety assurance, also disappointed. A changing product line had added to costs without adding to sales, said Mr Castell. Operating profits dropped from £2.9m to £1.3m.

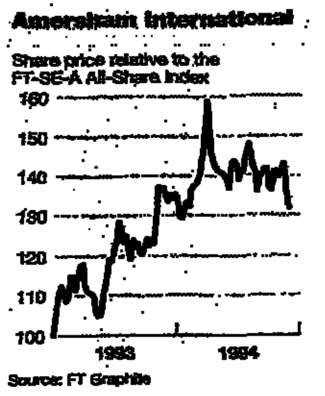
The best performing division was healthcare. Operating profits rose to £5.5m (£1.5m) thanks to the performance of new products – Metastron, for cancer pain, and Myoview for imaging the heart. Turnover grew from £54.7m to £62.3m.

Mr Castell said that the healthcare division would remain the "major profits driver in the near term".

Earnings per share were 12 per cent higher at 20.8p (18.6p) and the interim dividend is raised from 4.4p to 4.9p.

Amersham International

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

● **COMMENT**

Amersham had the highest p/e in the UK health sector – 20.8 – until yesterday's results. The rating was based on prospects for Metastron, a drug which promises to take the company beyond medical imaging into the potentially lucrative field of cancer treatment. However, doctors and drug regulators are conservative folk. Approvals are slow in coming and buyers must be persuaded to change their prescribing habits. Add to that uncertainty over research spending in both public and private sectors as costs remain under scrutiny, and it is just as well that analysts' forecasts have now been trimmed. Pre-tax profits for the full year are likely to fall well short of £50m, with earnings per share just making it to 50p. Profits are forecast to grow at 20 per cent next year, giving roughly £57m pre-tax and earnings of 60p. The 1995-96 prospective p/e of 15.5 is still close to the top of the sector. Amersham remains a long-term growth stock, but investors should brace themselves for more short-term weakness.

Bibby falls £10.7m into the red

By Peter Pearse

J Bibby & Sons, the conglomerate, yesterday reported a tumble into pre-tax losses for the year to September 24, after exceptional charges.

However, the shares rose 10p to 70p as operating profits rose from £21.1m to £29.6m.

Bibby, which is 79 per cent owned by Barlow of South Africa, announced pre-tax losses of £10.7m (£7.07m profits) on turnover down at £764.6m, compared with £791.5m.

Exceptional charges totalled £30.6m, relating to the £41.7m disposal in May of the agricultural feeds business to Associated British Foods, and the cost of restructuring what is now the industrial division.

The feeds business contributed turnover of £2.95m (£3.39m), and there were losses of £20.4m from its disposal, the closure of operations and goodwill.

Within continuing operations, there were losses of £6.72m from disposals, closures and goodwill and other restructuring costs of £3.48m.

Mr Richard Mansell-Jones, chairman, said: "The restructuring of the group is mostly done and we have fully provided for everything we can think of."

Interest charges were reduced to £10m (£14.1m). Borrowings fell to £82.1m (£122.8m) after the sale of the feeds business and a building in Spain. Lower rates, especially in Spain, also helped.

Behind the operating profits rise, lay a sharp reduction in losses from capital equipment to £865,000 (£7.15m) and a rise in the industrial division to £11.1m (£9.05m). The agricultural business made profits of £2.98m (£3.2m) and materials handling, £16.4m (£16.1m).

Losses per share emerged at 11.99p (earnings of 2.26p) and the total dividend is lifted to 3p (2p) via a final of 2p. A special dividend of 2p was also paid following the disposal.

Last minute snag for Wellington

Lloyd's of London yesterday created a last minute hitch for a new underwriting company planning a stock market listing when its ruling council failed to agree fresh rules for corporate investment in the insurance market, writes Ralph Atkins.

Wellington Underwriting, which had announced plans to invest in seven Lloyd's syndicates run by the Wellington managing agency, is due to complete arrangements this week for placing 30m shares at 100p.

It had been awaiting Lloyd's approval, originally expected last Friday, for arrangements to allow existing corporate vehicles to invest in others.

Glaxo fends off attack on patents for Zantac

By Daniel Green

Glaxo, the drug company, has fended off one of several attacks on patents protecting its biggest selling drug, Zantac, for ulcer treatment.

This increases the chances that Zantac will not have competition from generic rivals for a year beyond the expiry of one of the drug's patents at the end of 1995. Zantac's US sales are running at about $2.2bn (£1.34bn) a year.

A US district court has rebuffed an application by Novopharm, the Canadian generics maker, that part of a Glaxo suit for patent infringement against Novopharm be rejected. The decision means Glaxo's case goes ahead as before.

The first patents on Zantac expire in December 1995, and the 30-month delay from the patent suit filing should protect the drug from competition until late 1996.

Mr Leslie Dan, Novopharm chief executive, said yesterday if he had secured a partial dismissal of Glaxo's case, his case to have the 30-month period cut by the court would have been much stronger. Novopharm said that its generic version of Zantac would cost between 30 and 50 per cent less than Glaxo's drug.

Novopharm is also challenging the validity of a second patent on Zantac, which expires in 2002. Mr Dan said challenges to both patents will continue and that he remained "optimistic".

● Separately, Novopharm has taken a step towards launching a generic version of Zantac based on the later patent. That step is a type of approval from the US Food and Drug Administration called a conditional Abbreviated New Drug Application.

Early launch would only be possible if Novopharm secured a reversal of last year's lower court decision upholding Zantac's 2002 patent. The case is with the US court of appeals.

Barrs shrug off board's franchise warnings

By Richard Wolffe

The board of Barr & Wallace Arnold Trust, whose voting shareholders are split by a family feud, yesterday warned that the motor side of the group could lose its distribution franchises.

The board said that two car manufacturers had threatened to terminate franchises if rebel shareholders vote down its proposals to enfranchise the non-voting A shares. These shares, owned almost entirely by institutions, yesterday fell 21p to 263p, while the ordinary voting shares closed 15p down at 540p.

The motor distribution division is expected to account for 70 per cent of the leisure and motor group's profits this year.

The family feud broke out last month when Nicholas and Robert Barr asked their uncle, Mr Malcolm Barr, to step down as chairman of the group. The brothers, who claim majority support among voting shareholders, have also requisitioned an EGM to unseat Mr John Parker, chief executive, and Mr Brian Small, finance director.

They say they can unlock shareholder value by splitting the group's two divisions into stand-alone businesses.

However, the board has called another EGM to vote on enfranchisement on November 25, one week before the rebels' EGM. Enfranchisement would reduce family control from about 55 to 18 per cent.

The board seems likely to lose both EGM votes after Mr Kerry Firth, a Barnsley-based businessman with 16 per cent of the ordinary shares, reaffirmed his support for the rebels yesterday.

Mr Firth, who was asked by the board to referee a meeting with the Barr brothers this week, said: "Whatever support the board may have had from me in the past, they will not get in the future.

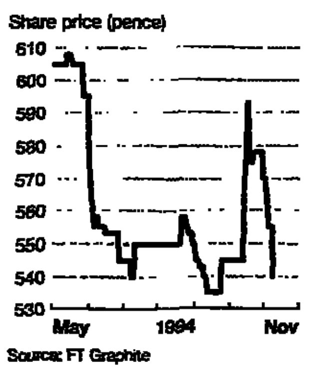
"The company has underperformed under the present chairman. That is why there is discomfort among shareholders and why they are giving their votes to the brothers."

Attempts to hold a meeting between Malcolm Barr and his nephews broke down on Tuesday in a row over correspondence from the car manufacturers.

Nicholas Barr yesterday condemned the warnings over the distribution franchises. "This is a blatant attempt by the board to safeguard its own position at the expense of shareholders," he said.

Barr & Wallace Arnold

Share price (pence)



Source: FT Graphite

Mercury faces cost cuts as profits fall by £3m

By Paul Taylor

The substantial restructuring programme at Mercury Communications announced yesterday by Cable & Wireless is part of a package of measures designed to prepare the UK telecommunications company for increased market competition in the second half of the 1990s.

Although Lord Young of Graffham, Cable & Wireless chairman, declined to elaborate on the scale of the job cuts at Mercury, the unions believe that up to 10 per cent of Mercury's 11,400 jobs could go.

City analysts believe that the job reductions needed to reposition the company could be even higher. Yesterday some were pencilling in charges of up to £50m to cover the cost of reorganisation and suggesting that the result could be annual savings of about £40m.

The need for cost reductions of this scale was highlighted by a £3m fall in Mercury's first half operating profits to £96m, revealed in C&W's interim results yesterday – although the group insisted the programme had been under consideration for several months.

The profit decline at Mercury, which largely reflects competitive and regulatory factors, was a surprise to analysts and overshadowed the 11 per cent rise in C&W's pre-tax profits.

Solid growth in call volumes and a 50 per cent increase in customer lines was not matched by profit improvement, which Lord Young and other senior executives said was mainly because it had been hit harder than expected by regulatory changes.

In particular Mr James Ross, C&W's chief executive, said the company estimated that the net effect of regulatory measures – including a double price cut imposed on British Telecommunications by Oftel, the regulatory authority, and substantially higher Access Deficit Charges – will reduce Mercury's profits by £100m in the full year, compared with between £25m and £30m in a more normal year.

Mr Mike Harris, the former Mercury chief executive who has been moved as part of a senior management reshuffle to head a C&W group development division, said a review under way by Oftel is expected to alter the system of ADCs which rival operators pay to BT.

Lord Young emphasised that Mercury was being repositioned to face the growing competition in the UK telecommunications market.

As part of this process Mr Duncan Lewis, who was in charge of C&W's US operations and director of the group's business networks, has taken over as Mercury's chief executive. He will announce details of the cost cuts and job reductions at Mercury within the next month. At the same time Mercury's structure is being reorganised into services and networks divisions.

See Lex

Yates Wine Lodges up 51% and sees sales expansion

By David Blackwell

Yates Brothers Wine Lodges, the independent drinks group which gained a full listing in July, yesterday announced interim profits ahead by more than 50 per cent.

Pre-tax profits for the 26 weeks to September 25 increased from £1.41m to £2.13m. Total sales rose to £24.5m from £22m last time, when discontinued operations contributed £425,000.

Mr Peter Dickson, managing director and great-grandson of Mr Peter Yates, the founder, said that since the end of the first half, like-for-like sales were almost 9 per cent ahead compared with a flat trend in the industry generally. "We believe we are pulling away," he added.

The shares, placed at 140p, rose 6p yesterday to 181p.

Operating profits at the core Yates's Wine Lodges, which now comprise 36 outlets, rose 30 per cent to £2.91m on sales up 24 per cent at £16.5m. The group, which also has 15 other outlets, is opening three further Wine Lodges next month.

Sales in the wholesale side declined by 5 per cent to £5.88m as the group carried out its strategy of switching from secondary to direct wholesale. Operating profits were ahead from £82,000 to £98,000.

The group has set itself a target of a 5 per cent return on the wholesale business and Universal Wines and Spirits, which supplies drinks in lightweight packaging to the airline industry. In August, Yates issued 16,760 shares to acquire the 25 per cent of Universal that it did not already own. The division made profits of just £2,000 on sales of £2.16m.

Net borrowings fell from £7.68m to £499,000 following the £10m placing. The group expects its continuing expansion to lift borrowings to £3m by the year end.

Earnings were 4.2p (3p). The interim dividend is 1p – in line with the flotation forecast.

Placing expected to value Hydro at more than £10m

By Peter Pearse

Hydro International is coming to the market via a placing that will value the company, which makes control systems for storm water control and sewage separation, at between £10m and £11.5m.

The company, based in Clevedon, Avon, utilises "vortex technology", the principles of which have been known since Roman times. The vortex, or whirlpool, effect is harnessed to regulate fluid flow.

The company has two main product ranges: flow control valves for flood protection and storm control and hydrodynamic separators for separating solids from liquids, especially in the treatment of sewage and other waste water. All are patented and low-cost.

Hydro expects recent environmental legislation in Europe and the US, which has specified big cuts in pollutant discharge, to increase capital works in its markets.

The company is raising about £3.7m, of which £570,000 will go to existing shareholders. The balance is for research and development, international expansion and the development of new markets.

The directors are retaining between 60 and 65 per cent of the equity.

The board is forecasting pre-tax profits of £480,000 for the year to December 31. In 1993 it made £156,000 on turnover of £4.1m, and in the six months to June 30, profits were £154,000 on turnover of £2.4m.

Positive reception for two trusts

By Bethan Hutton

Two investment trusts raising capital to invest in emerging markets have had a positive reception from institutional investors.

Murray Johnstone's new Murray Emerging Economies Trust has raised more than £45m during its placing stage. A public offer for another 19.4m shares at 100p (with warrants attached on a 1-for-5 basis) opened yesterday and closes on November 29.

Foreign & Colonial announced yesterday that applications in the institutional placing of C shares in its Emerging Markets trust would be scaled back.

Applications were received for nearly £100m-worth of shares, but the placing was capped at £85m. Applications will be scaled back pro-rata.

A further 30m C shares at 100p are available through a public offer closing on November 14. Existing ordinary shares in the trust are trading at a 7 per cent premium.

Ingham falls to £853,000 after provision

Ingham, the York-based motor parts, worsted spinning and property group, reported a 42 per cent fall in pre-tax profits, from £1.47m to £853,000, for the six months to end September.

Turnover was slightly ahead at £13.9m (£13.6m).

The result included the provision for an exceptional administrative expense of £210,000. This was in respect of potential compensation payable to Mr Nicholas McMahon Turner, the former chief executive, for loss of office.

Profits before tax and interest slipped in both the motor group and the property division, but more than doubled for the group's spinning company, in spite of a steady rise in wool prices.

Earnings per share were down from 7.1p to 3.2p, with the interim dividend unchanged at 1.75p.

Electrocomponents improves 14% to £35m

By Paul Taylor

Electrocomponents, the electronic, electrical and *mechanical* components distribution group, yesterday announced a 14 per cent increase in interim pre-tax profits, from £31.1m to £35.5m.

Mr Roy Cotterill, chairman said: "Our increased market presence coupled with the new marketing programmes and other initiatives introduced during the last 12 months continue to generate strong growth in both sales and profits."

Turnover from continuing operations grew by 18 per cent *to* £216.6m (£183.1m) in the six months to September 30; operating profits increased by 15 per cent to £34.3m (£29.7m).

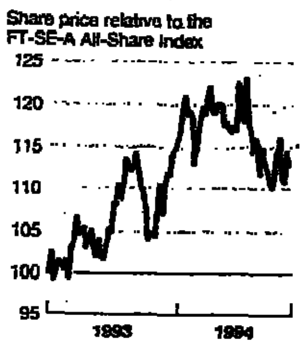
Earnings per share rose by 14 per cent to 11.2p (9.8p) and, as part of a rebalancing process, the interim dividend is lifted to 3.25p (2.5p).

Turnover in the UK-based RS Components business rose by 13 per cent reflecting continuing sales initiatives and increased market share. As expected, RS's UK margins were slightly lower due to higher selling and marketing costs.

New products, particularly mechanical products which are

Electrocomponents

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

now featured in a dedicated catalogue for the mechanical engineer, were one reason for the sales growth. Mr Robert Lawson, chief executive, said the introduction of a CD-Rom catalogue in July had exceeded expectations, with more than 35,000 disks being issued to *customers*.

RS International sales increased by 42 per cent, helped by the group's greater *penetration of overseas markets*, particularly those in continental Europe.

Radiospares Components in France continued to *show* strong growth, while a significant advance was achieved in Germany. The Italian operations were trading ahead of budget and expected to achieve profitability as planned within 12 months.

Meanwhile, Pact International increased its sales by 7 per cent and incurred a reduced loss in the seasonally weaker first half.

The group ended the period with net cash of £65.5m (£57.4m at end-March).

● **COMMENT**

Electrocomponents continues to produce the sound results expected of it. Net margins will remain under pressure in the second half as marketing costs continue to increase – but the group has proved itself adept at spotting and exploiting new domestic market opportunities ahead of the competition. Having developed and proved new concepts, such as the CD-Rom catalogue and trade counters in the UK, the group's strategy is to take them overseas and grow the international business. Pre-tax profits should reach about £83m this year, *producing earnings of just over* 26p. The shares, which gained 1p yesterday to 472p, are still trading well below their 12-month peak of 585p, reached in January. It deserves the premium rating represented by a prospective p/e of 18.

Decline at Hambro Insurance

By Richard Wolffe

Hambro Insurance Services Group yesterday blamed low levels of insurance claims for the continued poor performance of its loss adjusting subsidiary and a decline in group profits.

Mr Nicholas Page, managing director, said: "The volume of claims has declined and I am hoping that it has bottomed out. Pressure on volumes translates into pressure on fees, particularly in the UK."

The shares closed down 9p at 105p yesterday, 24 per cent lower than the placing price of 138p when the group was floated in June last year.

It reported pre-tax profits of £3.05m (£3.25m) on turnover up 20 per cent to £40.2m (£33.4m) in the six months to September 30.

Cunningham, the loss adjusting division, reported pre-tax losses of £432,000 (£372,000 profits).

Earnings per share fell to 2.94p (3.05p) but the interim dividend is again 1.85p.

● *The company yesterday* announced a joint venture with Morden & Helwig of the US to create a worldwide loss adjusting and claims management network, called Cunningham Lindsey International.

A new perspective on rankings

Nicholas Denton looks at a revamped league table of M&A advisers

Quarterly league tables of mergers and acquisitions arouse as much scorn as fascination on the part of the financial advisers they measure.

Investment banks – especially those disappointed with their standing – complain that all they provide is a snapshot, and a blurred one at that. A single deal can upturn the rankings and the criteria including a transaction can be arbitrary.

Next week however Acquisitions Monthly, the leading compiler of M&A data in the UK, will publish a league table less vulnerable to dispute. Covering public takeovers, both completed and failed, the report goes back nearly 10 years to the magazine's foundation in 1985.

SG Warburg heads the list, putting recent losses on trading and disappointing interim results into perspective. Hoylake's abortive £13bn bid for BAT Industries in 1989 was the largest of £65.5bn of bids in which Warburg was involved.

Morgan Grenfell and Schro*ders emerge as the other* preeminent takeover advisers of the decade. Morgan Grenfell has had its downs: the Guinness affair damaged the firm's reputation, and this year has been quiet. But the house, owned by and growing closer to Deutsche Bank, has been adviser to one side or the other in more bids than any other: 226 to Warburg's 198. "I think it absolutely demonstrates that we dealt with the Guinness situation and put it behind us," said Mr Guy Dawson, a director of Morgan Grenfell.

Goldman Sachs comes in as the highest placed US investment bank. UK competitors caution that Goldman achieved its position by taking mainly subsidiary roles in a few large deals. But the US house's speciality of bid defence has paid off. Rivals admit Goldman has made inroads and the firm is increasingly acting as lead adviser.

Calculating the volume of deals is controversial enough, but Acquisitions Monthly has ventured into even more dangerous territory by producing figures on financial advisers' success rate in hostile bids.

Few conclusions can be drawn, however, from what remain *small samples. Never*theless traditional reputations, Warburg's for defence and Morgan Grenfell's for attack, *are borne out. Schroders and* Goldman Sachs also stand out as effective defenders of hostile bid targets, with Schroders helping to fend off challenges in 59 per cent of the cases in which it was involved.

Morgan Grenfell and NM Rothschild offset apparently worse than average records in defence with the strongest performances of the top 10 in advising aggressors. "We have a very high hit rate," said Mr Russell Edey, head of corporate finance at *NM Rothschild. The* pair's clients managed to take over target companies more than half of the time.

Lazard Brothers, by contrast, is recorded as having won only two of 14 *hostile bids on which it* advised the aggressor. "You have to be terribly careful about what constitutes success," warned Mr John Dear, head of corporate finance. "We are never afraid of advising a client that he should walk away rather than pay a silly price. The winner of a bid can turn out to be the loser in the long run."

That is just one of several flaws remarked upon in Acquisition Monthly's findings. One *bid, that by Hoylake which* failed, catapulted Warburg into first place. Most important perhaps, public takeover activity *has declined since the 1980s* and represents only a small part of investment banking. One banker damns the league table with *faint* praise: "It is an interesting historical record."

As long as compilers produce M&A league tables, investment bankers will gripe, no matter how broad the timespan. And they will continue to pore over them.

FINANCIAL ADVISERS ON UK PUBLIC TAKEOVERS JANUARY 1985 - SEPTEMBER 1994

Adviser	No of bids	No of defences	Total	Value £m
SG Warburg (2)*	97	*101*	*198*	*65,451*
Morgan Grenfell (1)	122	104	226	55,903
Schroders (4)	104	81	185	51,385
Goldman Sachs (-)	12	20	32	43,904
Lazard Brothers (14)	75	53	128	39,163
Kleinwort Benson (3)	74	111	185	37,424
NM Rothschild (6)	69	59	128	26,919
Hambros Bank (10)	62	41	103	26,807
Lehman Brothers (-)	8	12	20	23,277
Samuel Montagu (11)	68	*59*	*128*	*23,199*

** 1985 ranking. This table is based on completed and failed UK public takeovers January 1985-September 1994 and only includes those advisers acting on 20 or more transactions*

Source: Acquisitions Monthly

Ugland returns to the black with £1.28m

By James Whittington

Shares in Ugland International yesterday rose 5p to 125p as the ship owner, manager and dry dock operator swung into the black with interim pre-tax profits of £1.28m, against a £780,000 loss.

A new management team has been in place since last October at the company, formerly known as Bristol Channel Ship Repairers. The Ugland family holds a 30 per cent stake.

Trading in the shares resumed last November at 108p following a three-month suspension during which the company was reorganised.

In the six months to September 30, turnover jumped to £13.4m (£4m) following an improved performance from the shipping interests and the April acquisition of Gerrards Rederi in Norway. Earnings per share were 4.13p (6.96p losses) and a dividend of 1.65p (nil) is declared.

Mr Andreas Ugland, executive chairman, said last year's £19m rights issue and the addition of eight ships from the Gerrards acquisition – which brought the total to 18 – had given the company a good base to increase profits. Gerrards contributed £868,000 to the pre-tax figure.

Swansea Dry Docks, the ship repair business, fell to a £340,000 loss, on sales of £1.36m, owing to stiff competition. However, a second dry dock was opened in July and bookings had picked up after an intensive marketing campaign, Mr Ugland added.

Net borrowings stood at £10.2m at the end of September, giving gearing of 45 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Amersham Intl ....int	4.9†	Jan 3	4.4	-	15.5
Bibby (J) ....fin	2	Feb 2	nil	3	2
Cable & Wireless ....int	2.83	Feb 28	2.6	-	8.25
Cham'lin & Hill ....int	2.25	Dec 21	2	-	6.5
Electrocomps ....int	3.25	Jan 3	2.5	-	9.5
Fenner ....fin	1‡	Jan 18	nil	1.5	nil
Hambro Insurance ....int	1.85	Dec 19	1.85	-	5.55
Scottish Value ....fin	1	Jan 10	0.95	2	1.8
Ugland Intl ....int	1.65	Feb 24	-	-	0.74
Yates Wine Lodge ....int	1	Feb 20	-	-	-

Dividends shown pence per share net except where otherwise stated. †On increased capital. ‡Payable as foreign income dividend.

CONTRACTS & TENDERS

LEGAL NOTICES

COMPANY NEWS: UK

Carlisle funds property expansion

By Simon Davies

Carlisle Group yesterday completed its transformation from a financial services company to a property group with the announcement of a £14.4m placing and open offer to help fund £28m of property purchases.

The transaction will almost double the size of Carlisle, whose primary operating business is the Pepper Angliss & Yarwood property agency.

Mr Nigel Wray, chairman and largest shareholder, said: "The deal gives us the balance sheet that will enable us to take the next step. We'd like to trade out a lot of this portfolio and get more heavily involved in the Mayfair area."

The company is offering 75.6m new shares at 20½p on a 10-for-11 basis.

Carlisle will pay £4.5m for Strathinver. It has agreed to repay £4.3m of Strathinver's £24.5m debt immediately, and will repay a further £6.95m by the end of the year.

Strathinver is 60 per cent owned by Coats Viyella. The family of Mr Jonathan Harris, Carlisle's chief executive, holds 26 per cent. It reported pre-tax losses of £470,000 for the year to March 31 on turnover of £2.69m.

The company owns 16 commercial and industrial properties spread throughout England, with current net rental income of £2.68m. This represents a yield of more than 9 per cent. The deal, effectively a reverse takeover, provides Carlisle with the financial muscle to develop as a property investment group. Net assets will increase from £9.24m to £34m.

Trading in the shares was suspended and will not resume until December 8, when dealings in the new shares are due to commence.

Former tipster makes his mark

Carlisle's reconstruction comes as no surprise, says Simon Davies

The transformation of Carlisle from a small financial services company into an ambitious property investment company has caused little surprise, as it carried the classic hallmark of its main shareholder, entrepreneur Mr Nigel Wray.

The former tipster, who bought the Fleet Street Letter for £7,500 and transformed it into the multi-million pound concern that eventually became Carlton Communications, has had enormous success reconstructing shell companies.

In 1988, his newsletter group Chartsearch launched a successful bid for Burford, a fledgling USM-traded property group.

It has since been transformed into a £270m-capitalised group which owns the Trocadero and a £100m prime portfolio acquired from Ladbroke in February.

Mr Wray is hoping to do the same with Carlisle, a company he has known since the mid-1980s, when he acquired a large holding in its former incarnation, Somportex. Its primary business at the time was Slush Puppy. He sold the bulk of his shares in 1987, but repurchased 33 per cent of Carlisle in January at a substantially lower price.

Mr Wray's love of small companies dates from his days as a trainee fund manager with Singer & Friedlander.

After his success with Fleet Street Letter in the early 1980s, he launched a spate of takeovers, including a bid for Singer 10 years after he left it as a trainee.

He has managed to keep on good terms with his investments, and retains directorships and small shareholdings in both Singer and Carlton.

His other main investment is a 13.5 per cent stake in The People's Phone, the independent cellular phone service provider, which now has 180,000 subscribers and should make profits of £8m this year.

Mr Wray sees himself as an investor in people. He has focused on basic businesses and backs managements in which he feels confident.

"My job is to make sure that I have got the right chief executive, that he's doing his job well, and that he's got the optimum conditions in which to work," he said.

Property is a business he likes. At Burford he found a company run by ambitious chief executive and fellow Mill Hill old boy Mr Nick Leslau.

His aim was to establish a conservatively financed group that could focus on investing in problem properties, producing a reasonable rental stream but requiring intensive management.

In the case of Carlisle, he is backing Mr Jonathan Harris, who worked his way up from office boy to senior partner at property agency Pepper Angliss & Yarwood, Carlisle's only operating business.

Mr Harris, Carlisle's chief executive, has spent the last four years trying to reverse the actions of a previous management which took the group into stockbroking and Welsh gold mining, with disastrous results. He is finally in a position to move forward.

"Carlisle's strategy is to acquire properties whose value can be enhanced by intensive management", said Mr Wray, echoing the old policy of Burford.

He is keen that Carlisle should build up investment in Mayfair, funding purchases through trading out existing properties and, if the market will support it, new equity.

Carlisle's timing has not been immaculate. An earlier deal, involving the purchase of some small properties from Burford, was blocked by the Stock Exchange because the holding company did not have a three-year track record.

Carlisle's share price at the time was about 30p, compared with Tuesday's closing price of 22½p. However, Mr Wray himself has fared better, having bought in at 11p. Following the placement, his shareholding will be diluted to 17.7 per cent, but he maintains that he is there for the long term. "I like the stock market, but when I look back, it is only the investments that I've had for five or 10 years that count," he said.

Receiver sells rump of RFS Industries

By Simon Davies

Price Waterhouse, receiver to RFS Industries, the former British Rail-owned engineering company, has sold the last of its businesses to a management buy-out, saving 350 jobs at the Doncaster-based company.

RFS was a £5m management buy-out from BR in 1987, and was the first privatisation of its rolling stock manufacturing operations.

However, the company used its revitalised finances to expand into new businesses, and having drastically over-extended itself, went into receivership in December 1993.

The company's core rail passenger rolling stock and bogie design operations were sold in May to Bombardier Eurorail for an undisclosed sum. This represented about 80 per cent of group turnover.

The remaining overhaul operations are being sold to the MBO. RFS employees will own 33 per cent of the company, with the remainder taken up by backers, including Yorkshire Fund Managers and Sun Life.

Rationalisation benefits Fenner

By Andrew Baxter

Rationalisation, organic growth and new products helped Fenner, the power transmission, fluid power and industrial belting group, lift full year pre-tax profits from just £315,000 to £8.18m.

Operating profits before exceptional items for the year to August 31 rose 27 per cent to £12.2m, the highest for four years, while turnover slipped from £201.6m to £200.8m. After adjusting for disposals and exchange rate movements, turnover rose 5 per cent.

Exceptional items fell from £6.3m to £2.6m as redundancy and rationalisation costs fell. Interest charges dropped from £3.6m to £1.9m, reflecting last September's rights issue and placing.

Earnings per share, after exceptional items, were 4.46p (6.97p losses).

Mr Mark Abrahams, chief executive, said the biggest achievement was the turnround on the power transmission side – Fenner's largest business and one that was formerly for sale.

In spite of continuing difficult trading conditions, the division reported its first operating profit for three years.

The "star performer," said Mr Abrahams, was the polymer business, which was helped by a 20 per cent rise in US sales and strong growth in hose and ducting sales.

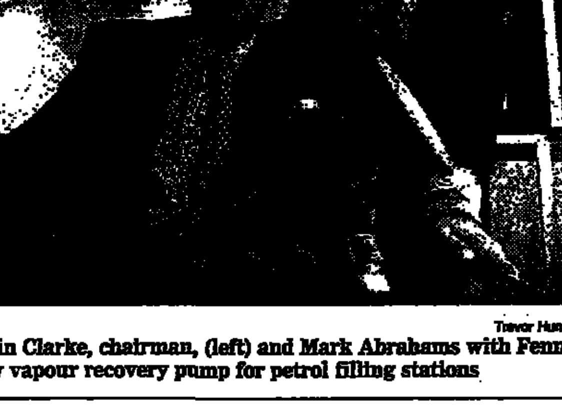
The fluid power division was helped by a strong performance in the US, and from initial sales in continental Europe and the US of Fenner's new vapour recovery system for use at petrol filling stations.

Mr Abrahams said the system, which returns allegedly carcinogenic vapour back to the filling station tank, could become a "very material" part of the division.

A final dividend of 1p (nil) will be paid as a foreign income dividend, a measure introduced at the interim stage to save on ACT. The total for the year is 1.5p (nil).

● COMMENT

After recession, things are coming right at last for Fenner, due as much to its own efforts as to improved market conditions. The main problem, power transmission, has been sorted out and offers a solid, if unexciting, future. The rights issue and placing has cut gearing from 54 to 10 per cent and gives a better springboard from which to exploit new products – especially the vapour recovery system. Organic growth and a further reduction in exceptionals should give pre-tax profits of about £13m this year. Assuming a lower tax charge, the prospective p/e is reasonable at 12 to 13.



Trevor Humphries

Colin Clarke, chairman, (left) and Mark Abrahams with Fenner's new vapour recovery pump for petrol filling stations

LEGAL NOTICES

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 10.11.94: Pool purchase price £/MWh	Final Prices for Trading on 13.10.94: Pool purchase price £/MWh	Final Prices for Trading on 13.10.94: Pool selling price £/MWh
0030	10.04	8.60	8.60
0100	23.18	8.60	8.60
0130	23.18	8.60	8.60
0200	23.18	16.60	18.24
0230	23.18	16.60	18.24
0300	23.18	16.60	18.24
0330	9.35	16.60	18.24
0400	9.35	16.58	18.22
0430	9.35	8.90	8.90
0500	9.22	8.90	8.90
0530	8.25	8.90	10.54
0600	9.35	8.90	10.54
0630	9.35	16.25	17.89
0700	28.64	16.61	18.25
0730	31.20	16.84	18.52
0800	31.20	28.23	30.00
0830	31.67	40.48	42.26
0900	31.68	40.54	42.35
0930	31.69	27.38	29.14
1000	35.48	28.29	30.06
1030	35.48	28.26	30.02
1100	31.69	28.21	29.98
1130	35.49	28.20	29.96
1200	35.50	32.78	34.53
1230	47.04	32.71	34.43
1300	47.03	27.09	28.78
1330	31.68	26.59	28.25
1400	31.68	21.69	23.34
1430	31.67	21.68	23.33
1500	31.67	21.67	23.32
1530	31.68	21.67	23.32
1600	31.68	21.69	23.34
1630	43.51	22.81	24.58
1700	94.19	31.16	32.86
1730	110.74	31.18	32.88
1800	104.21	31.21	32.93
1830	69.00	42.73	44.99
1900	60.38	57.80	60.28
1930	45.39	57.90	60.34
2000	43.71	56.33	58.35
2030	40.05	33.21	34.94
2100	31.66	33.00	34.66
2130	31.60	21.67	23.31
2200	31.20	19.66	21.30
2230	29.55	16.75	18.39
2300	31.20	16.60	18.24
2330	23.42	16.60	18.24
2400	9.22	16.03	17.67

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.

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COMPANY NEWS: UK AND IRELAND

Deeper losses and delay in mine reopening programme hit share price

Coal Investments £10m in red

By Michael Smith

Shares in Coal Investments, the mining company, lost another 7 per cent of their value yesterday after the company reported a 10-week delay in its mine reopening programme and interim pre-tax losses of £10.2m.

The shares fall continues a trend which began when Coal Investments and the Union of Democratic Mineworkers failed to secure nomination as preferred bidder for either of the central English coal regions.

Yesterday's closing share price of 87p compares with a high, achieved early last month, of 143p.

Losses for the six months to September 30 compared with a deficit of £68,000 last time. Turnover was £940,000 (nil) and losses per share 20p (0.2p).

Mr Malcolm Edwards, chairman, said substantial progress had been made in bringing the company's five mines back into production and the most difficult part of the development had been completed.

Full production had been achieved at the small mine at Cwmgwili in Wales following earlier geological problems.

Two of the four larger mines were now ready to start commercial production.

Mr Edwards said that next year's production and sales from all mines would be greater than previously expected, although he declined to say by how much.

The company said production delays resulted from late delivery of machinery.

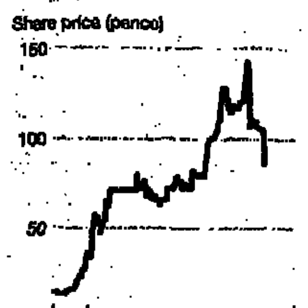
The cumulative effect would be a lower than forecast level of production and sales during the second half and consequent net cash outflow during that period.

The company had agreed terms in principle for additional loan facilities of £5m to meet this requirement.

It would refinance the loan as part of a further equity issue to be announced soon.

Mr Edwards was confident about prospects for 1995-96 and beyond. Excellent progress was being made in discussions with a number of coal buyers and directors were "confident that period sales contracts will be put in place for the greater part of the group's production".

Coal Investments



Source: FT Graphite

● COMMENT

Mr Edwards' high-flying shares have been floating back to earth recently, but investors who have been in from the start can still reflect on a more than fivefold increase in their holdings in the year since he took over. In spite of the bidding disappointments and the production delays announced yesterday, many investors are still prepared to put their faith in the former British Coal marketing director. Losses could reach £14m this year but providing the company can mine and sell 3m tonnes a year, as some brokers believe is possible, it could make £14m in profits in 1995-96 excluding any effects of its holding in Mining Scotland, the preferred bidder for British Coal's Scotland region. Profits of £14m would put the shares on a p/e of about 5, rather low according to supporters. All very well, but the company still has much to prove. It must get the next share issue out successfully and it must show that it can meet its production and sales targets. Failure to show solid progress by the end of the year could meet with a stern response from the market.

Irish Life reorganises into two new units

By John McManus in Dublin

Irish Life has reorganised its UK and Irish operations into two new units. The retail businesses in Ireland and the UK are to be combined into one unit, while the Irish corporate business will be combined with the investment division into a second unit.

Previously, the Irish retail and corporate businesses operated as one unit while the UK retail business formed part of the European operations.

Mr Brian Duncan, chief executive of Irish Life Ireland, is to step down at the end of the year following the reorganisation.

Mr Duncan has worked for Irish Life since 1964, heading the Irish operation since 1985. He is now expected to take up a position in the Irish health insurance industry, being tipped to take over at VHI, the state-owned health insurance company.

The reorganisation is "designed to build upon the company's leadership position in our core retail and corporate business markets in Ireland and to underpin our strategic repositioning in the UK market," explained Mr David Kingston, managing director.

Thorn EMI discusses sale of sensors business to Racal

By Bernard Gray, Defence Correspondent

Thorn EMI, the music and rentals company, is in discussions with Racal Electronics over the sale of its defence sensors businesses.

No price has been disclosed, but the businesses, based at Crawley, West Sussex and Wells, Somerset, had turnover of about £75m last year.

The division employs 1,140 people. Its main products are specialised radars, such as the Cymbeline weapon-locating radar, electronic countermeasures equipment and command and control systems for land forces.

Thorn is in detailed discussions with Thomson of France over the sale of its defence group business, which does not include the sensors operations. The defence group's turnover is about £80m and its main activities are fuses and electro-optics equipment.

Thorn has also sold its electronic security business. If both the defence and sensors sales are completed, it will only be left with its transaction ticketing operation outside its declared core areas. Preliminary discussions on the ticketing business are also taking place.

Sir Colin Southgate, chairman, has said that the company will concentrate on its music production, music retailing and rental operations.

Scottish Value Trust net asset value rises 12%

Scottish Value Trust increased net asset value per share by 12 per cent, from 97.34p to 109.15p, during the year to September 30.

The rise compared with gains of 7 per cent and 0.3 per cent respectively in the FT-SE-A Investment Trust Index and the FT-SE-A All-Share.

After-tax revenue increased from £845,000 to £1.01m giving earnings per share of 2.05p (1.76p).

As foreshadowed, the final dividend is 1p for a total of 2p (1.8p).

£200m Airtours bond

Airtours, the tour operator, has signed a new five-year bonding facility worth £200m, which will replace existing facilities.

It has been jointly arranged and underwritten by Barclays syndications, NatWest Capital Markets and Société Générale.

NEWS DIGEST

Villiers cuts loss to £1.54m

Villiers Group, the USM-traded specialist engineering company, reported pre-tax losses reduced from £2.83m to £1.54m for the year to July 31. Turnover was 45 per cent ahead at £2.72m, compared with a restated £1.87m.

Acquisitions contributed £1.21m to sales. Operating profits totalled £11,000 (£338,000 loss).

The company, which is US-based, said its continuing operations had been profitable since January. Following the disposal in June of its Starks Field oil operations for \$2.5m (£1.52m), its operating accounts consisted entirely of engineering business. The second half had made a positive overall contribution, reducing the £1.86m loss reported at interim stage.

Losses per share improved from an adjusted 5.48p to 1.49p.

Chamberlin & Hill

Interim pre-tax profits fall 19 per cent at Chamberlin & Hill, the maker of iron castings, electrical conduit fittings and switchgear.

The figure for the six months to September 30 was £640,000, compared with £747,000, struck on turnover of £11.6m, up 11 per cent from £10.4m.

Mr John Eccles, chairman, said traditionally the second half had proved stronger than the first, and this year should be no exception.

Earnings per share came out at 5.94p (7.35p), with an interim dividend of 2.25p (2p).

Scottish Power

Scottish Power has agreed contracts to buy the entire gas output of the Magnus Field in the North Sea for £150m.

Gas will be supplied for at least 10 years from October next year, and Scottish Power will initially bring ashore about 60m cu ft a day from the field.

Magnus is operated by BP Exploration in partnership with Repsol, Brasoil UK, Sunoil Britain and Goal Petroleum.

Scottish Power is building a portfolio of gas supplies for its Caledonian Gas marketing arm and its Longannet power station.

Bunzl expands

Bunzl, the distribution and cigarette filters group, has made its eighth acquisition in just over two years with the purchase of NL Whittaker.

The company, which incorporates the business of AW Holmes (Paper), supplies a range of disposable items, mainly to the hotel and catering trades.

Sales of the combined businesses in the year to December 31 1993 totalled £13m; net assets are estimated to amount to £2.5m.

Mr Anthony Habgood, Bunzl chief executive, said the deal demonstrated the group's continuing commitment to the development of paper and plastic disposables activities, now its largest and most profitable business.

Seet

Shares of Seet dropped 7p to 44p yesterday after the textiles group reported sharply increased annual losses.

The group also announced that Homemaker Shops, its 47.7 per cent-owned lossmaking associate, had sold its trading assets to Florida-based Linen Supermarket; the directors estimate that Seet will receive between \$1.71m and \$1.96m (£1.19m) but under Stock Exchange rules will have to seek shareholder approval to remit the proceeds as capital.

On turnover of £4.72m (£6.5m including £1.69m from discontinued activities), pre-tax losses for the 12 months to April 30 widened from £60,840 to £321,160. The outcome took in losses of £41,383 (profits of £75,336) at Homemaker and an exceptional write down against the US operation of £130,957.

Nevertheless, Mr Jock Mackenzie, chairman, remained upbeat. There had been a "significant improvement" since the year end, he said, with turnover at Peter MacArthur, the group's leading tartan manufacturer, "well ahead" on a year-on-year basis.

The Homemaker disposal eliminated bank borrowings – interest charges dropped from £148,853 to £26,672.

Losses per share were 8.88p (1.8p).

COMMODITIES AND AGRICULTURE

Coffee prices fall on Brazilian crop report

By Deborah Hargreaves

Coffee fell in London yesterday when estimates by the Brazilian government of the extent of damage to next year's crop disappointed traders by being in line with their expectations. Prices had been bid up in trading earlier this week following rumours that crop damage was much greater than had previously been anticipated.

The January futures contract slipped \$62 to \$3,506 a tonne on the London Commodity Exchange as the New York market also slowed. By midday, coffee futures at the Coffee, Sugar and Cocoa Exchange had slipped by 2 cents a pound to \$1.87.

The Brazilian government has estimated the 1995-1996 coffee crop at between 12.7m and 14.8m bags (60kg each) following two frosts and a prolonged drought. Government officials said the drought was likely to cause the crop to shrink 25 to 30 per cent on top of damage already wrought by the frosts.

After the frosts, government estimates put the crop at a minimum of 15.7m bags compared with the 26.5m bags which had been expected before.

Even though the fall in the Brazilian crop will exacerbate tightness in world supplies by the middle of next year, analysts say the market is well supplied.

"There is plenty of coffee around right now. Sentiment in the market is turning bearish and there is a risk the market could drop sharply," said Ms Judy Ganes, commodities analyst at Merrill Lynch in New York.

Brazilian officials said output was not likely to return to normal until 1997.

Malaysia turns its back on commodities

Primary products have little place in the new industrial vision, writes Kieran Cooke

It is enough to make an old planter turn in his grave. Malaysia, for so long the world's leading producer of natural rubber, is turning its back on the industry.

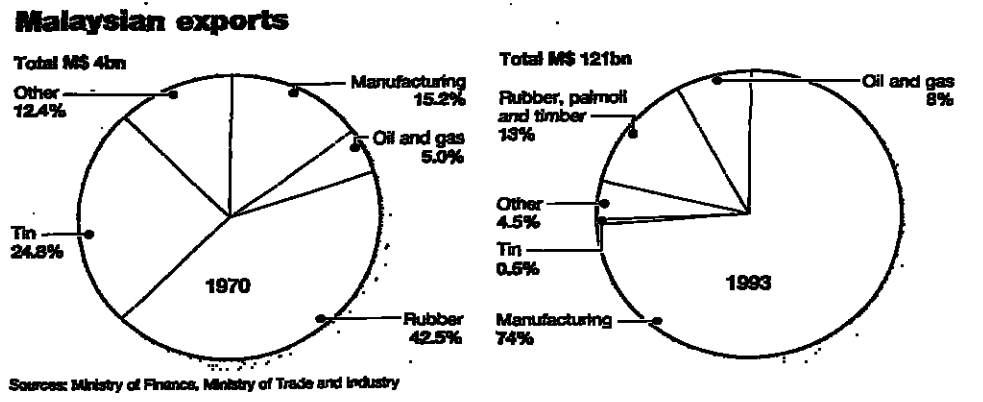
"Malaysia is no longer interested in producing rubber," says Dr Mahathir Mohamad, the prime minister and main architect of the country's recent high speed economic growth. "We hope to relocate the industry to neighbouring countries like Indonesia."

Dr Mahathir wants to make Malaysia a fully industrialised country by the year 2020; and production of primary commodities like rubber and tin has little place in this vision. Critics say the government's policies are misguided: in the rush to industrialise a vital part of the economy is being neglected – expertise and knowledge built up over the years will be wasted.

Over the past 20 years the structure of Malaysia's economy has been transformed. In the early 1970s rubber and tin made up nearly 70 per cent of Malaysia's exports. Last year manufactured goods accounted for 74 per cent of export values, with rubber representing less than 2 per cent and tin only 0.5 per cent.

Until recently Malaysia led the world in the production of natural rubber and tin. In 1988 it produced 1.8m tonnes of natural rubber but this year output is likely to fall below 1m tonnes. Both Thailand and Indonesia are now bigger producers than Malaysia.

Malaysian exports



Sources: Ministry of Finance, Ministry of Trade and Industry

The decline has been still more dramatic in Malaysia's tin industry. In the early 1980s it was producing more than 60,000 tonnes of tin a year. The industry – the foundation of the fortunes of of many the country's early entrepreneurs – then employed more nearly 40,000 people. This year tin production will probably be less than 6,000 tonnes and the industry's workforce has shrunk to about 2,000.

The one bright spot in the commodities sector is palm oil. Encouraged by generally buoyant world prices, production has doubled over the last ten years to reach more than 7m tonnes last year. Malaysia now accounts for about 55 per cent of total world palm oil output.

The fall in world prices for most of Malaysia's primary commodity exports in recent years has been blamed for the sector's decline. But commodity producers argue that government policies have accelerated the process. "The government is obsessed with manufacturing and ignores the potential – and the problems – of the commodity sector," says one rubber producer. "Yet commodities are still a central part of the economy." Last year Malaysia's commodity exports, including forestry products but excluding oil and gas, were worth M\$25.2bn (£6bn).

While the share of commodities in overall export earnings is declining the statistics are misleading.

Commodity producers say their export earnings are of far more direct benefit to Malaysia's economy than exports from the manufacturing sector. Multinational electronic companies, operating mostly in free trade zones, account for a large proportion of Malaysia's manufacturing exports. Those exports have a high ratio of imported content. A large amount of the funds from manufactured exports does not flow back into Malaysia but is repatriated overseas.

Labour shortage problems are particularly acute in the commodities sector. Local workers have drifted to jobs in factories in the cities and towns: most of those left behind in the rubber plantations and oil palm estates are elderly. As a result thousands of immigrants are working in the commodities sector: on some estates more than 70 per cent of employees are from Indonesia or Bangladesh.

The plantations object to paying a M\$300 government levy, plus recruiting expenses, for every foreign worker employed. After a few months, many immigrants go to jobs in the manufacturing sector. Mr Borge Bek-Nielsen, who runs 94,000 acres of palm oil plantations on Malaysia's west coast, says action must be taken to keep workers on the land. "In a way we are subsidising the industrial sector," says Mr Bek-Nielsen.

Malaysia has made substantial investments to develop downstream commodity industries. But producers say that if more attention is not paid to sustaining commodity output, downstream factories will be starved of raw materials.

In the first seven months of this year Malaysia's natural rubber imports increased by 53 per cent compared with the same period last year. In the first half of 1994 the country's domestic tin in concentrates production fell below consumption – a position undreamt of just a few years ago.

Malaysia leads the world in many aspects of commodity research and development. Its rubber, palm oil and cocoa plantations are among the best run and most productive. Producers say the government should encourage investors to capitalise on this expertise rather than continually urging people to put their money into the manufacturing sector.

Mr Lim Keng Yaik, the minister of primary industries, told a planters conference in Kuala Lumpur this month that people should not feel that the production of primary commodities in Malaysia had reached the end of the road.

But Dr Mahathir clearly feels this point has been reached in natural rubber production.

Windwards impatient over delay to EU banana deal

By Deborah Hargreaves

Banana exporters from the Windward Islands are becoming increasingly impatient with internal wrangling at the European Commission that has delayed a transfer in their supply quotas for the fruit.

Windward Islands' exporters are awaiting a change in their quotas so that they can ship to the European Union bananas from elsewhere, such as Latin America, to compensate for the loss of their own crop in tropical storm Debbie in September.

The commission's banana management committee has already recommended a quota transfer for the islands, but the proposal has been blocked by German commissioners because of Bonn's opposition to the whole banana regime.

"We're getting frustrated. We can't defray our fixed costs or keep our regular customers supplied unless we get a quota increase," said Mr Bernard Cornibert, Windward Islands' banana London representative.

St Lucia, for example, is shipping only 3,000 tonnes of bananas a week to the EU market following the devastation of its crop. At this time in a normal year, its deliveries would be closer to 6,000 tonnes.

Mr Cornibert says that meeting the same range of fixed costs on smaller tonnages of fruit has increased costs by 20 to 25 per cent. At the same time, the islands risk losing customers who they are at present unable to supply.

He said it would take St Lucia up to 9 months to restore production to its former levels, but its rehabilitation plans are dependent on aid from the EU under the Stabex economic programme. St Lucia expects to receive Ecu 3.5m and Dominique should get Ecu 3.8m, but payment of the grants has also been delayed.

Bananas from African, Caribbean and Pacific countries enter the EU tariff-free, but quotas and tariffs are imposed on so-called dollar bananas from Latin America under the EU's import regime.

The regime is so controversial that the commission is stymied on whatever action it tries to take by opposition from Germany. An official said the quota issue could come to a vote next Wednesday.

'Untransparent' LME attacked

By Kenneth Gooding, Mining Correspondent

The antipathy some metal producers and consumers feel about the London Metal Exchange was voiced yesterday by Mr Yves Rambaud, chairman of Eramet of France, the world's fourth-largest nickel producer.

Questioned about the recent sharp rise in the nickel price at a time when exchange stocks were also increasing, he said the LME was a "very untransparent market." It was not possible, for example, to know who owned the stocks in LME warehouses.

He said consumers were "frightened" of the LME and more and more of them were looking for long-term supply contracts from producers. About 80 per cent of Eramet's nickel went to stainless steel producers, Mr Rambaud told the Association of Mining Analysts in London. These customers wanted two things in particular: continuity of supply and prices not to move outside a certain range which eliminated the peaks and the troughs in LME prices. About half of Eramet's sales were made on long-term contracts with these terms. "Both we and the consumers agree this is a good system," he said.

Mr Rambaud suggested that demand in the western world for nickel this year would grow at between 7 and 9 per cent, compared with 5 per cent in 1993 and well above the annual average of 2.1 per cent seen in the past 20 years. This would leave the market in balance because there was no room for western producers to increase output and no possibility that Russian exports would grow. Eramet previously forecast a supply surplus of 15,000 tonnes this year compared with surpluses of 49,000 and 75,000 tonnes in 1993 and 1992.

He pointed out that Russia's production could not increase unless big investments were made in its industry and then it would take three or four years for this investment to have an impact. Meanwhile, nickel consumption in Russia was at such a low level it could not fall much further.

Western producers needed an average price of \$3 to \$3.20 a pound to break even but a price of \$3.50 to \$4 was required to make it worth investing to expand existing capacity. Prices of more than \$5 were needed for new capacity. The LME three-month price closed last night just below last week's 2½-year high at \$7,427.50 a tonne.

Eramet previously announced it would lift annual capacity at its 82-per-cent-owned SLN (Societé Metallurgique Le Nickel) in New Caledonia from 50,000 to 60,000 tonnes. Mr Rambaud this would be done step by step, "in line with market growth".

The London Metal Exchange board agreed yesterday to open warehouses for copper in the US.

The locations, available from April 1, 1995, "subject to there being suitable approved warehouse companies operating there by this date", would be New York/New Jersey, Chicago, St Louis and Los Angeles/Long Beach, the exchange said.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	3 mths
Close	1846-47	1858-59
Previous	1839-40	1855-56
High/low	1871/1858	1883/1842
AM Official	1871-73	1880-81
Kerb close		1843-4
Open int.	260,287	
Total daily turnover	61,902	

■ ALUMINIUM ALLOY (\$ per tonne)

Close	1830-40	1860-70
Previous	1820-25	1850-53
High/low		1870/1840
AM Official	1835-45	1865-70
Kerb close		1840-5
Open int.	2,958	
Total daily turnover	406	

■ LEAD (\$ per tonne)

Close	664-65	679.5-80.0
Previous	667-68	683.5-84.0
High/low	668	686/679
AM Official	668-68.5	684-84.5
Kerb close		680-1
Open int.	43,768	
Total daily turnover	7,662	

■ NICKEL (\$ per tonne)

Close	7305-15	7425-30
Previous	7345-55	7465-70
High/low		7550/7390
AM Official	7420-25	7550-55
Kerb close		7395-400
Open int.	73,404	
Total daily turnover	9,963	

■ TIN (\$ per tonne)

Close	6110-20	6200-10
Previous	6160-70	6255-60
High/low		6280/6160
AM Official	6165-75	6255-65
Kerb close		6160-70
Open int.	21,062	
Total daily turnover	3,074	

■ ZINC, special high grade (\$ per tonne)

Close	1137-38	1160-61
Previous	1151.5-52.5	1174-75
High/low	1155.5	1180/1155
AM Official	1155-55.5	1177-78
Kerb close		1155-7
Open int.	108,097	
Total daily turnover	25,753	

■ COPPER, grade A (\$ per tonne)

Close	2672-73	2645-46
Previous	2707-11	2680-84
High/low	2715	2687/2629
AM Official	2717-19	2690-92
Kerb close		2643-4
Open int.	222,106	
Total daily turnover	87,925	

■ LME AM Official £/\$ rate: 1.6024
LME Closing £/\$ rate: 1.6043

Spot:1.6055 3 mths:1.6044 6 mths:1.6021 9 mths:1.5988

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Nov	123.80	-0.85	123.80	122.80	1,432	180
Dec	122.70	-1.20	125.00	121.30	37,871	9,209
Jan	122.00	-1.00	121.50	121.50	932	22
Feb	121.35	-0.75	120.80	120.80	585	20
Mar	120.70	-0.50	122.10	119.50	10,864	1,465
Apr	119.20	-0.65	120.20	120.00	722	28
Total					61,486	11,558

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	\$ price	£ equiv.
Close	384.20-384.60	
Opening	384.60-385.00	
Morning fix	384.35	238.816
Afternoon fix	383.60	239.227
Day's High	384.70-385.10	
Day's Low	383.40-383.80	
Previous close	384.90-385.30	

Loco Ldn Mean Gold Lending Rates (Vs US\$)

1 month	4.58	6 months	5.22
2 months	4.85	12 months	5.82
3 months	4.94		

Silver Fix	p/troy oz.	US cts equiv.
Spot	324.20	520.00
3 months	328.90	527.20
6 months	334.05	534.85
1 year	346.70	553.20

Gold Coins	\$ price	£ equiv.
Krugerrand	386-389	239-242
Maple Leaf	396.25-397.70	
New Sovereign	90-93	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Nov	383.6	-0.1	-	-	-	-
Dec	384.5	-0.3	385.8	383.8	84,122	25,394
Jan	386.2	-0.3	-	-	23,186	3,663
Feb	388.2	-0.3	389.3	387.6	10,115	401
Apr	391.9	-0.3	392.9	391.4	10,477	78
Jun	395.6	-0.3	397.0	395.1	6,174	-
Total					166,808	30,047

■ PLATINUM NYMEX (50 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	408.9	-3.3	412.0	406.5	16,708	9,694
Apr	413.3	-3.4	417.0	411.3	8,210	2,412
Jul	417.7	-3.7	419.0	417.7	1,806	7
Oct	422.8	-3.7	422.8	422.0	499	2
Jan	425.8	-3.7	-	-	10	-
Total					27,233	12,115

■ PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Dec	156.10	-2.65	159.00	156.00	4,285	1,066
Mar	157.30	-3.00	160.00	157.30	3,177	445
Jun	158.30	-3.00	161.00	158.30	470	17
Sep	159.05	-3.00	-	-	31	-
Total					7,963	1,528

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Nov	510.4	-10.4	-	-	50	50
Dec	511.8	-10.7	524.5	510.0	70,882	15,623
Jan	514.1	-11.0	515.0	515.0	89	-
Mar	520.1	-11.0	532.5	518.0	22,784	2,947
May	525.9	-11.1	538.0	524.0	4,921	66
Jul	532.0	-11.2	544.0	528.0	4,361	394
Total					115,777	19,711

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. \$/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	18.38	-0.20	18.57	18.32	78,546	48,014
Jan	18.30	-0.09	18.40	18.19	82,793	27,120
Feb	18.17	-0.06	18.23	18.06	40,583	10,451
Mar	18.07	-0.06	18.10	17.97	24,748	3,060
Apr	18.00	-0.07	18.00	18.00	17,450	2,127
May	17.90	-0.13	17.91	17.89	12,245	1,764
Total					384,876	96,910

■ CRUDE OIL IPE (\$/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	17.34	-0.14	17.38	17.25	68,855	24,583
Jan	16.98	-0.06	16.99	16.87	63,715	19,119
Feb	16.80	-0.03	16.82	16.70	23,834	3,970
Mar	16.69	-0.01	16.69	16.60	11,589	2,044
Apr	16.58	-0.05	16.59	16.54	5,095	1,807
May	16.60	+0.01	16.60	16.54	3,052	-
Total					187,368	51,598

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	50.95	-0.10	51.50	50.60	42,490	14,252
Jan	51.45	-0.05	51.60	51.15	36,527	6,503
Feb	51.90	+0.05	51.90	51.65	22,608	888
Mar	51.45	-0.40	51.55	51.35	12,534	1,377
Apr	50.65	-0.45	50.65	50.65	7,891	148
May	50.05	-0.38	50.05	50.05	4,830	3
Total					153,290	23,724

■ GAS OIL IPE (\$/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	151.75	-	153.00	151.25	16,446	7,856
Dec	154.25	+0.25	155.00	153.75	33,078	6,493
Jan	156.25	+0.75	156.75	155.75	22,295	1,723
Feb	157.25	+0.70	157.25	156.50	9,932	398
Mar	157.00	+1.00	157.00	156.25	7,927	359
Apr	155.00	+0.75	155.25	155.00	3,232	9
Total					103,095	16,896

■ NATURAL GAS NYMEX (10,000 mmBtu.; \$/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	1.760	+0.005	1.780	1.755	28,057	12,617
Jan	1.910	+0.008	1.925	1.900	21,771	7,001
Feb	1.885	+0.001	1.910	1.885	13,938	2,913
Mar	1.860	+0.012	1.865	1.848	12,716	852
Apr	1.820	+0.007	1.825	1.820	7,191	743
May	1.835	+0.019	1.835	1.830	6,733	364
Total					148,189	26,688

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	57.25	-0.85	58.10	58.10	27,568	23,731
Jan	55.60	-0.57	55.85	55.00	20,190	8,996
Feb	55.10	-0.40	55.10	54.80	7,367	3,459
Mar	55.80	-0.20	-	-	4,058	421
Apr	58.40	-0.75	58.30	58.30	4,916	499
May	58.95	-0.90	-	-	1,620	233
Total					66,686	38,369

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	104.20	+0.20	104.25	104.00	522	27
Jan	105.30	+0.25	105.30	105.00	1,979	73
Mar	107.35	+0.20	107.35	106.90	1,642	21
May	109.35	+0.30	109.35	108.90	1,617	42
Jul	111.40	+0.25	-	-	120	-
Sep	94.25	+0.50	94.25	94.00	43	11
Total					6,420	280

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	380/2	-6/4	386/0	378/2	33,306	6,961
Mar	392/0	-6/0	396/6	390/0	26,687	4,322
May	369/4	-5/2	373/0	369/0	4,420	490
Jul	337/6	-5/0	341/4	337/0	10,524	1,305
Sep	342/4	-4/4	343/0	341/6	308	14
Dec	352/4	-5/0	353/4	352/4	158	2
Total					75,498	13,094

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	219/0	+2/0	219/2	215/0	109,478	17,856
Mar	230/2	+1/6	230/4	226/6	87,297	5,237
May	238/2	+2/2	238/4	234/2	26,677	2,105
Jul	243/2	+2/0	243/4	239/4	35,403	2,503
Sep	247/6	+1/4	248/0	244/6	3,329	165
Dec	252/6	+1/4	253/0	249/6	15,691	1,298
Total					259,252	29,244

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	99.25	-0.70	99.50	99.50	5	5
Jan	102.00	-0.50	102.25	102.00	484	9
Mar	104.50	-0.40	104.50	100.00	130	-
May	106.00	-0.25	-	-	48	-
Sep	93.25	+1.00	93.25	93.25	15	5
Nov	94.75	+0.70	94.75	94.50	10	11
Total					692	30

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	561/2	+3/2	563/4	553/4	8,769	8,705
Jan	572/0	+3/0	574/0	564/2	57,918	26,028
Mar	582/2	+3/2	584/2	574/4	25,456	6,793
May	590/4	+2/6	592/0	584/0	13,578	878
Jul	596/0	+2/4	598/0	589/2	21,636	1,632
Aug	598/0	+1/4	601/0	593/0	1,607	58
Total					138,952	44,632

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	28.10	+0.47	28.17	27.30	37,876	10,120
Jan	27.21	+0.53	27.22	26.48	21,712	6,717
Mar	26.32	+0.43	26.45	25.73	15,188	4,792
May	25.67	+0.40	25.70	25.10	13,509	1,417
Jul	25.12	+0.30	25.20	24.72	6,895	1,538
Aug	24.95	+0.30	24.95	24.55	1,816	116
Total					102,086	25,313

■ SOYABEAN MEAL CBT (100 tons; \$/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	159.5	-0.5	160.1	158.9	36,758	4,586
Jan	161.0	-0.7	161.7	160.5	20,404	3,770
Mar	165.4	-0.5	165.9	164.5	16,988	1,729
May	170.2	-0.2	170.8	169.1	9,306	123
Jul	175.1	-0.4	176.5	174.2	9,064	875
Aug	177.0	-	177.2	176.3	1,492	32
Total					106,249	11,651

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	105.0	-	-	-	-	-
Apr	239.5	+0.7	240.0	237.8	1,465	74
May	260.0	-	-	-	-	-
Jun	250.0	-	-	-	-	-
Total					1,465	74

■ FREIGHT (BIFFEX) LCE (\$10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	1830	+40	1830	1795	257	23
Dec	1745	+35	1745	1720	358	145
Jan	1680	+35	1680	1645	1,065	57
Apr	1840	+22	1840	1630	876	22
Jul	1473	+33	-	-	132	-
Jan	1540	+86	-	-	17	-
Total					2,705	247

	Close	Prev
BFI	1830	1835

Cotton

Liverpool- No spot or shipment sales were recorded for the week ended November 4 against 42 tonnes in the previous week. Activity was severely restrained and business was on narrow lines. Cost of raw cotton deterred users from increasing their purchases.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	939	+5	943	936	19,212	1,735
Mar	964	+4	967	961	42,730	1,955
May	973	+6	977	971	14,901	258
Jul	985	+6	988	985	6,587	31
Sep	997	+4	1004	997	12,889	249
Dec	1013	+3	1021	1013	9,674	316
Total					112,137	4,778

■ COCOA CSCE (10 tonnes; \$/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1291	-9	1301	1284	13,517	3,265
Mar	1327	-12	1339	1324	33,298	3,228
May	1354	-9	1363	1351	8,262	156
Jul	1382	-8	1386	1382	3,440	155
Sep	1405	-8	-	-	1,499	2
Dec	1435	-6	1440	1433	5,074	29
Total					71,082	7,196

■ COCOA (ICCO) (SDR's/tonne)

Nov 8	Price	Prev. day
Daily	985.12	961.65

■ COFFEE LCE (\$/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	3468	-52	3535	3468	428	45
Jan	3517	-51	3600	3505	12,345	2,321
Mar	3478	-37	3550	3463	8,235	1,720
May	3448	-27	3515	3440	3,426	355
Jul	3413	-27	3488	3413	1,511	224
Sep	3405	-23	3470	3405	1,583	217
Total					27,648	4,882

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	186.90	-2.10	192.50	185.10	8,656	8,692
Mar	191.75	-2.25	197.50	190.30	13,319	5,038
May	193.95	-2.55	200.00	193.45	5,355	514
Jul	195.75	-1.75	201.00	195.50	1,946	573
Sep	198.20	-0.05	202.00	198.00	1,047	121
Dec	198.40	-0.75	202.50	198.25	950	70
Total					31,401	15,010

■ COFFEE (ICO) (US cents/pound)

Nov 8	Price	Prev. day
Comp. daily	181.34	175.64
15 day average	180.60	180.94

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	13.00	-	-	-	-	-
Mar	13.33	-0.14	-	-	90	-
May	13.48	-0.11	-	-	560	-
Jun	13.40	+0.02	-	-	450	-
Total					1,180	-

■ WHITE SUGAR LCE (\$/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	369.70	-0.80	371.50	369.00	2,270	921
Mar	363.20	+0.20	363.90	361.60	9,352	837
May	358.50	+0.10	358.70	357.80	3,394	577
Aug	350.80	+0.30	351.50	350.00	2,756	288
Oct	325.20	+0.10	326.00	325.00	1,113	98
Dec	324.20	+0.10	324.60	324.00	98	20
Total					19,080	2,794

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	13.15	-	13.22	13.07	103,020	11,577
May	13.21	-0.03	13.24	13.15	29,179	5,080
Jul	13.06	+0.02	13.09	12.98	17,729	3,808
Oct	12.40	+0.05	12.43	12.35	16,265	2,278
Mar	12.00	+0.05	12.05	12.00	2,864	916
May	12.00	-0.05	-	-	159	-
Total					169,283	23,869

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	72.25	-0.74	72.80	71.90	21,348	4,148
Mar	73.85	-0.78	74.40	73.50	18,349	2,687
May	75.05	-0.57	75.30	74.65	7,285	279
Jul	75.43	-0.87	75.90	75.40	4,379	382
Oct	70.43	-0.47	70.70	70.50	600	-
Dec	69.40	-0.40	69.60	69.40	3,027	137
Total					55,008	7,633

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	109.50	-0.10	109.50	108.25	340	39
Jan	113.20	-0.20	113.20	111.90	14,817	1,299
Mar	116.85	-0.25	116.90	115.75	5,525	361
May	119.95	-0.40	119.50	119.25	1,642	175
Jul	123.15	-0.45	122.00	122.00	910	1
Sep	125.80	-0.20	125.50	125.00	1,244	226
Total					26,145	2,130

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Nov 9	Nov 8	month ago	year ago
2118.5	2110.2	2043.5	1814.7

■ CRB Futures (Base: 1967=100)

Nov 8	Nov 7	month ago	year ago
233.97	233.01	227.88	217.75

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	69.950	-0.275	70.350	69.450	30,968	7,427
Feb	69.500	-0.025	69.625	69.000	22,457	2,551
Apr	69.900	-0.075	70.000	69.450	15,357	1,250
Jun	65.525	-0.100	65.625	65.425	5,091	575
Aug	64.200	-0.150	64.250	64.050	1,571	82
Oct	65.150	+0.025	65.250	65.000	302	1
Total					75,751	11,888

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	32.900	+0.250	33.050	32.500	16,589	4,229
Feb	36.675	+0.175	36.700	36.150	10,275	2,610
Apr	37.400	+0.175	37.450	36.850	5,098	989
Jun	42.700	+0.250	42.750	42.200	2,565	238
Aug	42.150	+0.150	42.150	41.850	508	60
Oct	39.200	+0.250	39.250	39.000	403	30
Total					36,142	8,217

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	40.900	+0.425	41.200	40.425	8,079	2,213
Mar	41.075	+0.200	41.400	40.650	1,200	120
May	42.050	+0.300	42.400	41.850	324	21
Jul	42.900	+0.175	43.200	42.400	337	21
Aug	41.825	+0.175	42.200	41.700	84	17
Total					10,024	2,392

LONDON TRADED OPTIONS

Strike price \$ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jan	Apr	Jan	Apr
1825	79	117	64	92
1850	67	105	77	104
1875	56	94	91	117
■ COPPER (Grade A) LME	Jan	Apr	Jan	Apr
2650	88	90	83	158
2700	66	73	110	189
2750	48	58	142	223
■ COFFEE LCE	Jan	Mar	Jan	Mar
3400	267	364	150	286
3450	240	340	173	312
3500	215	318	196	340
■ COCOA LCE	Dec	Mar	Dec	Mar
925	20	71	8	32
950	7	57	18	43
975	2	45	38	56
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1650	71	82	6	42
1700	26	58	9	65
1750	7	34	27	95

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)

		+or-
Dubai	\$16.11-6.16z	+0.135
Brent Blend (dated)	\$17.45-7.47	-0.040
Brent Blend (Dec)	\$17.33-7.36	+0.100
W.T.I. (1pm est)	\$18.35-8.37z	+0.050

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	\$171-174	-1
Gas Oil	\$157-158	+1
Heavy Fuel Oil	\$101-103	+1
Naphtha	\$171-173	+2.5
Jet fuel	\$179-181	
Diesel	\$162-163	+1

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

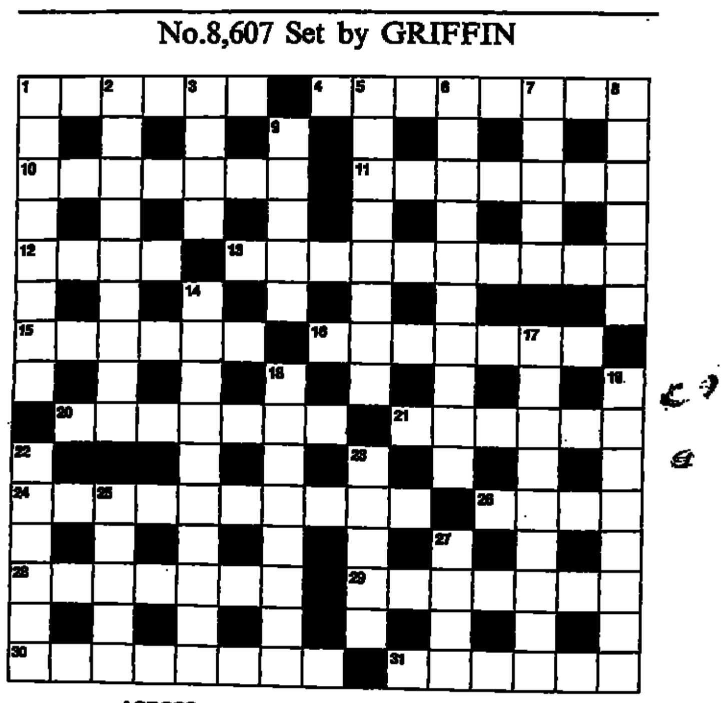
Gold (per troy oz)♣	\$384.40	-0.70
Silver (per troy oz)♣	522.5c	-4.0
Platinum (per troy oz.)	\$408.75	-2.00
Palladium (per troy oz.)	\$157.25	+0.25
Copper (US prod.)	129.0c	-1.0
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	15.59r	+0.09
Tin (New York)	285.5c	-0.5
Cattle (live weight)†	115.20p	n/c *
Sheep (live weight)†♦	101.17p	+2.27*
Pigs (live weight)	75.18p	+0.51*
Lon. day sugar (raw)	\$327.00	-3.90
Lon. day sugar (wte)	\$376.50	-0.40
Tate & Lyle export	£316.00	-1.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	132.0y	
Wheat (US Dark North)	165.0u	
Rubber (Dec)♥	85.75p	
Rubber (Jan)♥	85.25p	
Rubber (KL RSS No1 Jul)	342.0m	-1.0
Coconut Oil (Phil)§	\$700.0q	+12.5
Palm Oil (Malay.)§	\$687.5t	+10.0
Copra (Phil)§	\$457.5v	+9.5
Soyabeans (US)	£163.0t	
Cotton Outlook'A' index	78.50c	-0.05
Wooltops (64s Super)	440p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Nov/Dec. v Nov/Dec. u Oct/Nov. z Dec. t Nov. q Dec/Jan ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week ⊕ Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,607 Set by GRIFFIN



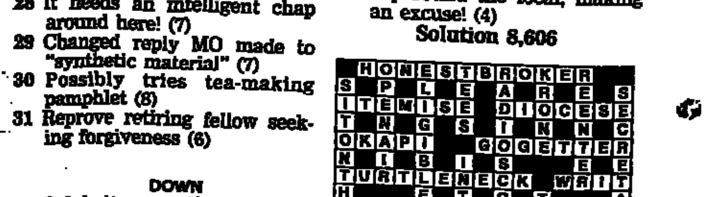
ACROSS

1 Long after work drops off stop getting pain (6)
4 Enthusiast takes work – and during dance! (8)
10 Terrible wind forced MEP to try going outside (7)
11 It's a strange thing, is perception (7)
12 Travel free to the centre of Leeds (4)
13 Pause to give drink to mole (10)
15 Putting animal in pen is silly (6)
16 Lays out money on plant (7)
20 European head left serviceman imprisoned (7)
21 Go before two soldiers (6)
24 Being victorious by Advent, finished first (10)
26 Mum turned to go (4)
28 It needs an intelligent chap around here! (7)
29 Changed reply MO made to "synthetic material" (7)
30 Possibly tries tea-making pamphlet (8)
31 Reprove retiring fellow seeking forgiveness (6)

DOWN

1 Celebrity on list left off embracing one musician (8)
2 Next time I made stew (9)
3 Snooker players use these lines when speaking (4)
5 French friend with a message is affable (5)
6 Good-looking person was taking girl's kitchen cleaner (10)
7 Can stand around Gateshead hospital when dark (5)
8 Uproar after court members start yelling (6)
9 Second flier is back on board (5)
14 Produce airmen in court showing theatrical skill (10)
17 Poor actor enters, nude as could be, unrepentant (9)
18 A man turned up in men's clothes (8)
19 Her Brent organisation is for religious body (8)
22 While talking saw Elizabeth Sweet? (6)
23 Spin round, point to bird (5)
25 One didn't want to leave home (5)
27 Pop round the local, making an excuse! (4)

Solution 8,606



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LONDON STOCK EXCHANGE

MARKET REPORT

Election news gives strong boost to equities

By Steve Thompson

A burst of strength by the dollar, which helped stimulate a round of big gains across international bond markets, provided the perfect trigger for a London stock market primed to move ahead yesterday.

The wave of Republican victories in the US mid-term congressional elections set the scene for international markets, with the dollar racing higher as the election news swept around the world, boosting bond and equity markets.

The euphoria produced by the dollar saw the FT-SE 100 Index penetrate the 3,100 mark in midsession before coming off the top minutes before the close of trading and settling a net 35.8 up at 3,099.6.

The late downturn in London came in the wake of a sharp setback on Wall Street, where the Dow Average, up 38 points shortly after the opening, was virtually level as London closed and down almost 10 points an hour or so afterwards.

Traders in London professed concern at the slide on Wall Street, which they said led to some determined selling of the Footsie future after hours. "We felt very firm all day, but things are getting confused now; Wall Street remains the key to European markets," said one dealer. He added that the next phase of the series of US bond auctions, which total $29bn, would be crucial to the market's performance, as would the Bundesbank meeting today.

A senior marketmaker at one of the big European securities houses adopted a more positive view of the market, taking the view that a bout of profit-taking had been expected after a near 50-point rise in the market. "I think we'll be fine, as long as we can hang on to close above 3,100 at the end of the week," he said.

One real bonus for the market post the US elections was the sharp increase in the level of business yesterday. Turnover expanded rapidly to reach 728.3m shares, the highest for almost a mouth. It was pointed out, however, that "bed and breakfast", or tax-related deals, accounted for at least 15 per cent of that total. A large number of these trades were said to have been executed by UBS, the Swiss securities house. There are rumours in the market that the UK chancellor of the exchequer could include moves to prohibit such deals in the November 29 budget.

The FT-SE 100 began the session in fine form, with marketmakers hoisting their opening prices and pushing the 100-index up 12 points. Buying interest from international institutions began to gather momentum in mid-morning, when dealers picked up hints of a strong opening by Wall Street, and the index surged ahead to the day's peak of 3,112.0 shortly before US markets came in.

Thereafter all eyes were fixed on the dollar and the Dow Jones Industrial Average, with debt products helping to sustain equities until just before the close of trading.

Interest in the market's second liners was much more subdued and the FT-SE Mid 250 Index could manage only a 13.6 rise at 3,533.3.

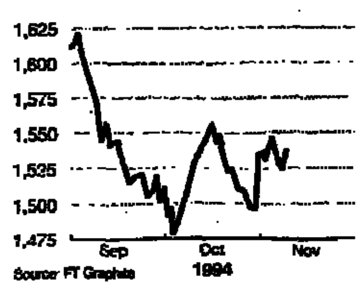
The demolition of the Democrats in the US saw UK drugs stocks surge ahead, with analysts taking the view that capping of drugs prices as part of the US health care reforms proposed by the Clinton administration would be much harder to implement after the Republicans gained control of the two houses of Congress.

Cable and Wireless was one of the Footsie's worst performers as the market showed its disappointment with the poor figures from the company's Mercury telecoms division.

Bank shares attracted strong support, especially NatWest, where the recent flow of ADRs, resulting from NatWest's acquisition of Citizens Financial, and a major drag on the NatWest share price, was said to have dried up.

Utilities suffered from the Labour Party's proposals for the imposition of a mixture of windfall taxation and a public dividend on the water and electricity companies.

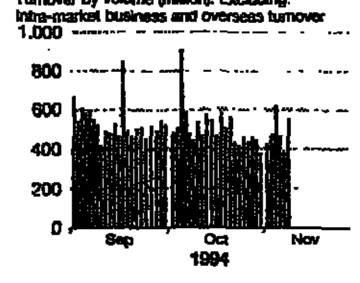
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	3099.6	+35.8	FT Ordinary Index	2376.6	+28.1
FT-SE Mid 250	3533.3	+13.6	FT-SE-A Non Fins p/e	18.72	(18.61)
FT-SE-A 350	1553.6	+15.2	FT-SE 100 Fut Dec	3116.0	+45.0
FT-SE-A All-Share	1538.63	+14.21	10 yr Gilt yield	8.70	(8.78)
FT-SE-A All-Share yield	3.94	(3.97)	Long gilt/equity yld ratio:	2.23	(2.23)

Best performing sectors

1. Tobacco +3.0
2. Pharmaceuticals +2.8
3. Consumer Goods +1.7
4. Gas Distribution +1.6
5. Spirits, Wines & Cider +1.4

Worst performing sectors

1. Water -1.6
2. Health Care -0.7
3. Household Goods -0.6
4. Other Services & Bsns -0.4
5. Extractive Inds -0.2

US poll boost for drugs

Leading pharmaceuticals companies dominated the business in London as traders reacted enthusiastically to the political changes in the US and the consequent jump in the dollar.

The Republican victories were perceived to have removed the threat to pricing and profits posed by the Clinton health care reforms. There was a rush of London buying and some dealers suggested that one heavy-hitting US mutual fund was also piling into the sector via the anonyminity of the inter-dealer broker (IDB system).

However, analysts commented that the political moves were unlikely to have much impact on an industry which had already been forced to change. Managed care groups, which provide health care to around 55m Americans, have discovered their buying power over the past few years and forced prices down. Mr Paul Krikler of US investment bank Goldman Sachs said: "It is clear that the political changes have given a sentimental boost to the sector but, for the longer term, we would focus on the changes already in the market place."

SmithKline Beecham was the most heavily traded stock in the market with combined turnover in the "A" shares and Units hitting 18m. The "A"s rose 12½ to 421½p and the Units 11 to 382p. Glaxo jumped 19½ to 617p on turnover of 15m shares, although 4m of those represented one side of a tax-related deal. Fisons, up 5 at 121p and continuing to attract bid speculation, saw 8.7m shares dealt in the underlying market and was the most heavily traded stock option on the Liffe. Wellcome rose 20 to 664p and Zeneca 14 to 871p.

Utility worries

Utility stocks moved against a strong market trend after Mr Gordon Brown, the shadow chancellor, stressed Labour party plans for a windfall tax on the privatised water and electricity companies.

Norweb closed 4 lower at 812p and Midlands Electricity surrendered 8 to 780p. Yorkshire Electricity eased 3 to 740p, although Northern Ireland Electricity moved against the trend to close 6 ahead at 375p on talk of a break-through in the framework for peace talks in Northern Ireland.

Among water shares, Thames retreated 7 to 503p and Anglia, which reported figures earlier this week, gave up 10 at 524p. Southern was 8 lower at 589p, while Northumbrian slipped 8 to 696p ahead of today's interim figures.

Mr Nigel Hawkins at Hoare Govett said the reaction of the stocks to the speech "serves to remind investors of the political risks attached to utility stocks".

Commercial Union was restrained by market caution following third-quarter results. The profits of £305m were near the top of the range of forecasts, but Credit Lyonnais Laing said it showed that CU's rate of improvement had slowed and some analysts argued that the 20 per cent premium of the share price to net asset value was too high. The shares closed unchanged at 543p, while Royal Insurance, reporting today, firmed 2 to 300p and General Accident eased 2 to 581p.

Cable and Wireless shed 7 to 392p in turnover of 12m as analysts moved rapidly to downgrade profits forecasts following a disappointingly weak interim performance from the group's Mercury arm.

The group as a whole turned in half-time growth of 11 per cent but Mercury, hit by price competition from BT and regulatory pressure on revenues, saw operating profits slide 3 per cent. NatWest Securities promptly chopped its annual profits estimate for C&W by £90m to £1.1bn, and anecdotal evidence suggests that some other houses took an even more cautious line.

BT, which unveils interims today, and Vodaphone were clear beneficiaries of some heavy switching out of C&W, with the former up 8½ to 393p on 8.1m shares traded and Vodaphone gaining 6 at 211p.

Shares in high street retailer Boots retreated 4 to 516p, with Smith New Court reported to have turned negative on the stock and been the day's main seller of the stock.

A story doing the rounds suggested that Boots had rejected an offer for its pharmaceuticals division of DM2.5bn from BASF the German chemicals group, because it did not want the company to be relocated away from its Nottingham headquarters.

High street clearing bank Barclays moved up 9 to 598p as it confirmed that it was in negotiations with the New England bank Shawmut National over the sale of its US subsidiary Barclays Business Credit. Press reports have suggested the sale could reap between $200m and $400m.

Furniture group MFI responded to a strong recommendation and upgrade from Morgan Stanley. The broker raised its current year profits forecast by £5m to £97m.

Marks and Spencer stayed weak following Tuesday's cautious comments from the company surrounding the release of interim results. The shares eased 2 to 402p.

Hopes of a shake-up in UK gaming laws, hinted at by the Home Secretary, led to demand for several stocks. Ladbroke, which publishes its third-quarter trading update today, firmed 4 to 153p, and Rank Organisation 10 to 408p. Also better on the same speculation was London Clubs, up 8 at 261p.

The world's biggest glassmaker, Pilkington, fell 4 to 188p with a sizeable line of stock said to be overhanging the market.

International trading conglomerate Lonrho had another hectic day, with 3.9m shares traded and the stock gaining a further penny at 152¼p.

Since the announced departure of joint chief executive Mr Tiny Rowland, the shares have put on 15 per cent and some brokers now feel uneasy with a prospective p/e ratio approaching 30. NatWest Securities is one of the more sanguine houses, estimating break-up net asset value at 175p.

Amersham International fell 63 to 928p as analysts reduced forecasts in the wake of disappointing interims. The range of full-year estimates came back to between £47m and £50m.

Campari International recovered 4 to 25p as it was announced that a company known as Blueridge Ltd had acquired almost 11 per cent of the leisure and sportswear group. Campari was trying to establish last night who was behind Blueridge and whether the stake had been acquired for investment purposes or prior to a bid approach.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Jeffrey Brown.

■ Other statistics, Page 25

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (23).
BANKS (1) Banco Bilbao Vizcaya, BUILDING & CNSTRN (1) Vibroplant, DISTRIBUTORS (3) Faber Prest, Finelist, Middlesex, ELECTRNC & ELECT EQUP (4) Magnum Power, Tadpole Tech, Telspec, Thorpe (F.W.), EXTRACTIVE INDS (3) Caledonia Mining, Gencor, Gwalia Cons, LIFE ASSURANCE (1) Liberty Life Assoc of Africa, OTHER FINANCIAL (1) Edinburgh Fund Man, OTHER SERVS & BUSNS (1) Barlam, PHARMACEUTICALS (1) Zeneca, PRTNG, PAPER & PACKG (1) Jarvis Porter, RETAILERS, GENERAL (1) Goldsmiths, SUPPORT SERVS (1) Computer People, TEXTILES & APPAREL (1) Chamberlain Phipps, TRANSPORT (1) Jacobs (J.I.), WATER (1) South Staffs, AMERICANS (1) Amdahl.

NEW LOWS (74).
BANKS (2) Mitsubishi, Sumitomo, BUILDING & CNSTRN (2) Avonside, Bellwinch, CHEMICALS (1) Cementone, DISTRIBUTORS (5) Bletchley Motor, Hamlet, Headlam, Quicks, Welpac, DIVERSIFIED INDLS (1) Kvaerner B, ELECTRNC & ELECT EQUP (1) Roxboro, ENGINEERING (1) Whatman, ENG. VEHICLES (1) Ingham, EXTRACTIVE INDS (2) NSM, Petaling, FOOD MANUF (2) Banks (Sidney C.), Bensons Crisps, HEALTH CARE (3) AAH, Assoc Nursing Servs., M.L. Labs, HOUSEHOLD GOODS (1) AWP Intl, INSURANCE (4) Abtrust Lloyds Wts, CLM, Heath (C.E.), Lowndes Lambert, INVESTMENT TRUSTS (11) LEISURE & HOTELS (4) Alpha Airports, Barr & WAT A, Quadrant, Tring, LIFE ASSURANCE (1) London & Manchester, MEDIA (1) Bloomsbury, OIL EXPLORATION & PROD (1) Sunrise Energy, OTHER FINANCIAL (1) Intrum Justitia, PHARMACEUTICALS (1) Novo Nordisk B, PRTNG, PAPER & PACKG (2) API, Inveresk, PROPERTY (8) RETAILERS, FOOD (1) Shoprite, RETAILERS, GENERAL (5) Essex Furniture, Fine Art Devlps., Oriflame, Rhino, WEW, SPIRITS, WINES & CIDERS (2) Matthew Clark, Merrydown, SUPPORT SERVS (3) Gresham Telecomputing, JBA, Spargo, TEXTILES & APPAREL (4) Baird (Wm.), Castle Mill, Readicut, SEET, TRANSPORT (1) Vard, AMERICANS (2) Bethlehem Steel, Dun & Bradstreet.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures moved ahead strongly, leading the cash market for most of the session and racking up the best day's trading volume for some weeks, writes Jeffrey Brown.

Contract numbers powered ahead to 15,363 from 10,862 on Tuesday, and with spread trading holding at nominal levels it was nearly all genuine two-way business.

The FT-SE 100 December contract was 3,115 at the official 4.10pm close, up 44 points. The premium to cash equities was 14 points, with fair value premium running at around 7 points.

Traders said the improvement in activity was the most striking feature of the session, with much of the day's buying pressure coming from US houses, notably Goldman Sachs.

The contract lost some of its impetus in the final hour of trading, and the premium to cash equities, which had been 20 points for much of the session and underpinning a reasonable level of arbitrage business, narrowed.

The key to further upwards progress is clearly Wall Street, which showed signs of flagging towards the end of the London day. In late, screen trading the December contract slipped below 3,100.

Traded options activity jumped to 35,998 lots, from 28,478 on Tuesday, with FT-SE and Euro FT-SE business coming to 15,854.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3090.0	3116.0	+45.0	3135.0	3085.0	17090	52783
Mar	3141.0	3135.0	+45.5	3141.0	3135.0	40	4252
Jun	-	3156.0	+45.0	-	-	0	80

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Dec	3550.0	3560.0	+35.0	3550.0	3550.0	10	4168

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Dec	-	3540.0	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3101) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Nov	168½	3½	120½	7	77	14½	41	30	18½	59	6½	100	2½	149	1	199
Dec	189½	22½	151	34	114	48	83½	70	58	95	38	126½	25	163½	14	205½
Jan	216½	43½	180½	56½	146	73	116	93	88	115½	66	144½	47½	177½	34½	216
Feb	225	51	198	64	166	82	136½	102½	108	126	87	155½	66½	186½	51½	223
Jun†			246	100			185	137½			138½	191			97	251½

Calls 11,892 Puts 4,396

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Nov	188½	2	141½	5	97	10	58	21	28	41	11½	74½	4	116½	1½	163½
Dec	209½	19½	169½	28½	131½	41	98½	58	70½	79½	47½	106	29	137½	17	175
Jan	230	32	193½	45	158½	59	126	79	101	100½	78	126	58½	158½	43½	191½
Mar	258	52½			189	81½			131½	121½			87	175		
Jun†	298	75½			232½	106			174	144½			125½	192		

Calls 2,347 Puts 861 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400	3450	3500	3550	3600	3650	3700	3750
Oct			113¾	53½	88⅛	75⅜	63¼	102⅛

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Nov 9	Day's chge%	Nov 8	Nov 7	Nov 4	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3099.6	+1.2	3063.8	3065.8	3097.6	3088.5	4.11	7.05	16.75	111.98	1176.52
FT-SE Mid 250	3533.3	+0.4	3519.7	3520.1	3534.6	3440.4	3.55	5.80	20.82	113.31	1320.95
FT-SE Mid 250 ex Inv Trusts	[illegible]										
FT-SE-A 350	[illegible]										
FT-SE SmallCap	[illegible]										
FT-SE SmallCap ex Inv Trusts	[illegible]										
FT-SE-A ALL-SHARE	[illegible]										

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,300	328	+4½
ASDA Group†	4,100	62¾	+¼
Abbey National†	3,500	418	+6
Albert Fisher	2,500	43	+½
Allied Domecq†	934	601	+4
Anglian Water	1,000	524	-10
Argos	473	340½	+5
Argyll Group†	4,700	264½	+2½
Arjo Wiggins†	2,100	270	+2½
Assoc. Brit. Foods†	453	552	+5
Assoc. Brit. Ports	646	272	-2
BAA†	2,900	499	+1
BAT Inds.†	7,200	445	+13
BET	1,600	110½	+1
BICC	2,000	351	
BOC†	615	706	+9
BP†	6,000	424	+7½
BPB Inds.	1,300	302	+5
BT†	8,100	393	+8½
BTR†	10,000	305½	+2½
Bank of Scotland†	309	207	+2
Barclays†	10,000	598	+9
Bass†	3,700	548	+3
Blue Circle†	2,900	282	+6
Booker	442	411	+9
Boots†	1,200	516	-4
Bowater†	1,500	446	+6
Brit. Aerospace†	779	455	+3
British Airways†	4,700	370	+6
British Gas†	8,300	297	+5
British Land	674	381	-1
British Steel†	6,600	156	+2½
Bunzl	1,200	184	+3
Burmah Castrol†	315	871	+1
Burton	2,600	63½	-2
Cable & Wire†	13,000	392	-7
Cadbury Schweppes†	4,000	445	+4
Caradon†	2,600	279	+6
Carlton Comms.†	613	869	+6
Coats Viyella	6,900	194	+2
Comm. Union†	2,800	543	
Cookson	957	249	+1
Courtaulds†	1,400	443	+2
Dalgety	614	423	-1
De La Rue†	512	1001	+6
Dixons	316	189	+½
Eastern Elect.†	494	803	
East Midland Elect.	306	702	-2
Electrocomps	157	472	+1
Eng China Clays	351	354	+2
[illegible]			

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	68	1	12
Other Fixed Interest	2	0	12
Mineral Extraction	93	22	81
General Manufacturers	166	84	385
Consumer Goods	59	29	99
Services	104	77	314
Utilities	15	20	9
Financials	118	61	185
Investment Trusts	184	20	261
Others	58	21	35
Totals	857	335	1393

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	November 7	Expiry	February 9
Last Dealings	November 18	Settlement	February 23

Calls: Crossroads Oil, Haemocell, Minmet, Petroceltic, Proteus, Reflex, Scotia Hldgs, Tadpole Tech, Tullow Oil, Wiggins. Puts: Crossroads Oil, Reflex. Puts & Calls: Glaxo, Tanmac, Wellcome, Wiggins.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
17	Nil	2/12	2pm	¼pm	APTA Health	¾pm	
20	Nil	9/12	4½pm	1pm	Butlers	1pm	-¼
310	Nil	20/12	41pm	25pm	Kenwood Appl	26pm	-8
27	Nil	28/11	3½pm	2½pm	Martin Intl	3pm	
500	Nil	12/12	50pm	18pm	Matthew Clark	18pm	
26	Nil	22/11	¼pm	¼pm	Novo	¼pm	
5	Nil	15/11	2½pm	¾pm	¶Union Square	¾pm	

FINANCIAL TIMES EQUITY INDICES

	Nov 9	Nov 8	Nov 7	Nov 4	Nov 3	Yr ago	*High	*Low
Ordinary Share	2376.6	2348.5	2346.2	2371.7	2377.2	2342.7	2713.6	2240.6
Ord. div. yield	4.35	4.40	4.40	4.35	4.34	3.96	4.51	3.43
Earn. yld. % full	6.31	6.39	6.32	6.26	6.24	4.62	6.61	3.82
P/E ratio net	18.31	18.10	18.23	18.42‡	18.46‡	27.12	33.43	16.94
P/E ratio nil	17.88	17.65	17.79	17.96	18.00	25.15	30.80	17.09

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35. ‡Corrected values.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2355.2	2359.0	2364.1	2364.1	2373.4	2383.8	2380.4	2381.7	2379.3	2381.9	2355.0

	Nov 9	Nov 8	Nov 7	Nov 4	Nov 3	Yr ago
SEAQ bargains	26,796	22,075	21,785	23,845	23,926	28,736
Equity turnover (£m)†	-	1072.1	1063.7	1083.9	1795.8	1721.1
Equity bargains†	-	24,813	24,322	27,889	27,391	32,758
Shares traded (mil)†	-	557.5	398.8	466.0	622.4	588.0

†Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt CapEm	Yld Gr's	P/E
Anglo Am Ind		£29⅞	—	£30	£13½	1,932	2.5	21.7
Barlow	Z	£4⅝	—	£5⅛	£3⅝	998.8	0.7	–
Gold Flds Prop R		118xd	—	128	75	12.1	7.8	ф
MK Props		95	—	95	85	3.82	12.5	–
SASOL	♥	523	—	582	280	3,069	2.6	–
SA Brews		£15⅜	—	£16⅝	£10	4,266	1.8	25.1
Tiger Oats	†	598	—	838	538	1,031	2.3	14.5
Tongaat-Hulett	h	675	—	*685	355¼	615.2	1.9	18.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ф Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

Credis Investment Funds - Contd.

Nikko Asia Convertible Bond Fund

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

Nomura Rosenberg Alpha Fund Mark II

Pacific Basin Growth Fund

Rosenberg Global Mngt Co SA (u)

Rosenberg Management SA (u)

Rosenberg US Japan Mngmt Co SA (u)

Edmond de Rothschild Group

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OFFSHORE INSURANCES

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OTHER OFFSHORE FUNDS

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar takes fresh heart from US election results

The dollar yesterday rallied on the foreign exchanges as traders took heart from the good showing by Republicans in the mid-term congressional elections, *writes Philip Gawith.*

Analysts were split about the implications of the results for the dollar, but the market's initial reaction was to assume that the shift in power towards the Republicans favoured US financial assets and the currency.

The dollar finished in London at DM1.53, two pfennigs up on Tuesday's close of DM1.5097. Against the yen it finished at Y97.79, from Y97.005.

Sterling lost 1½ cents against the stronger dollar, to finish at $1.6036, from $1.6184. It was stronger against the D-Mark, closing at DM2.4534, from DM2.4432.

■ Opinions diverged about whether, and why, the election results were important. Some saw them as the catalyst for a big turn in the dollar, predicated on changes to fiscal policy, and a more aggressive Federal Reserve, released from the perceived constraints of a Democratic presidency.

Others were more cautious, but said the election was still part of an important conjuncture of events favouring the dollar. Mr Neil MacKinnon, chief economist at Citibank in London, said the combination of last week's Fed intervention to support the dollar, the election result, and further monetary tightening made him much more confident about the dollar's prospects.

Having been bearish on the dollar for the past year, the Citibank analyst said he had now changed his view. "The downside for the dollar is likely to be quite limited. I now believe the dollar goes up from here."

Mr MacKinnon said: "The argument is based on the view that what is crucial for the prospects of the dollar is the relative attractiveness of US financial assets." He saw this improving, on the basis of the Fed getting "ahead of the curve" in the battle against inflation, and this attracting financial flows back to the US.

Although investor buying would probably only slow the capital outflow from the US, a long term bearish influence on the dollar, Mr MacKinnon said it could rise as far as DM1.67 next year. This would be below the DM1.77 high it touched last February.

Not all observers share this optimism. SG Warburg, for example, forecast the dollar at DM1.35-45 at the end of 1995.

Mr Steve Hannah, head of research at IBJ International, was more sceptical about the importance of the elections. He said the result might justify a "modest re-rating" of dollar assets. "I would be very sceptical, though, about calling this a change in trend in terms of the dollar's performance."

He said the election result had resolved an element of political uncertainty, but this had not been a significant cause of dollar weakness. "Monetary policy is a 90 per cent explanatory factor," said Mr Hannah. "Unless the market feels comfortable about the Fed's policy stance, and the election result doesn't alter that, then we haven't really moved on."

The IBJ analyst said the market price was probably exaggerating the influence of the elections. Yesterday's move was a technical short squeeze, rather than a shift in trend. The latter would require aggressive Fed action – two 50 basis point increases in US rates before the end of the year – and an indication that earlier tightenings were slowing the economy, thus curbing inflationary pressures.

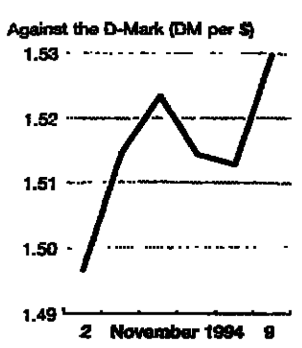
■ The French franc fell to FFr3.438/DM, from FFr3.436, its lowest level since December last year, with the early stages of next year's presidential campaign beginning to weigh on the currency.

Mr Chis Turner, currency analyst at BZW in London, said: "It is difficult to see the franc appreciating ahead of the election, even if the dollar stages a strong recovery." The catalyst for recent weakness was the entry into the campaign of Mr Jacques Chirac. He unnerved markets by saying French participation in European monetary union should be put to a referendum.

■ The Bank of England provided UK money markets with £1.015bn of late assistance, and £143m at established rates, after forecasting a £1.3bn daily shortage. Three month LIBOR was at 6⅛ per cent. Firmer gilt prices helped short sterling futures, with the December contract closing at 93.60 from 93.55.

Dollar

Against the D-Mark (DM per $)



Source: Datastream

■ **Pound in New York**

Nov 9	----Latest----	-- Prev. close --
£ spot	1.6070	1.6195
1 mth	1.6065	1.6158
3 mth	1.6060	1.6154
1 yr	1.5989	1.6080

■ **OTHER CURRENCIES**

Nov 9	£	$
Hungary	174.653 - 174.829	108.940 - 109.040
Iran	2824.00 - 2827.00	1749.00 - 1750.00
Kuwait	0.4736 - 0.4796	0.2985 - 0.2990
Poland	37498.6 - 37583.3	23390.0 - 23420.0
Russia	4950.30 - 4958.70	3087.00 - 3091.00
U.A.E.	5.8903 - 5.9021	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Nov 9		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2622	+0.0724	544 - 700	17.2863	17.1606	17.2579	0.3	17.246	0.4	-	-	115.4
Belgium	(BFr)	50.4796	+0.1621	367 - 229	50.5580	50.1960	50.4496	0.7	50.3796	0.8	50.2396	0.5	117.1
Denmark	(DKr)	9.6151	+0.0382	107 - 194	9.6256	9.5548	9.6126	0.3	9.6274	-0.5	9.6069	0.1	117.0
Finland	(FM)	7.5271	-0.0129	174 - 367	7.5470	7.5150	-	-	-	-	-	-	88.7
France	(FFr)	8.4335	+0.0405	288 - 381	8.4446	8.3830	8.4313	0.3	8.4236	0.5	8.3555	0.9	109.9
Germany	(DM)	2.4534	+0.0102	521 - 546	2.4570	2.4397	2.4517	0.8	2.4478	0.9	2.4164	1.5	126.4
Greece	(Dr)	377.957	+1.274	714 - 200	378.810	376.693	-	-	-	-	-	-	–
Ireland	(I£)	1.0173	+0.0029	165 - 180	1.0186	1.0136	1.0171	0.2	1.0167	0.2	1.0186	-0.1	105.3
Italy	(L)	2520.08	+8.44	831 - 181	2523.75	2506.32	2525.66	-2.7	2537.06	-2.7	2587.56	-2.7	74.2
Luxembourg	(LFr)	50.4796	+0.1621	367 - 229	50.5580	50.1960	50.4496	0.7	50.3796	0.8	50.2396	0.5	117.1
Netherlands	(Fl)	2.7490	+0.0097	476 - 504	2.7542	2.7336	2.7476	0.6	2.7432	0.8	2.7087	1.5	121.0
Norway	(NKr)	10.7186	+0.0476	142 - 229	10.7326	10.6564	10.7186	0.0	10.7203	-0.1	10.7192	0.0	86.1
Portugal	(Es)	250.555	+1.24	420 - 690	250.882	249.403	252.285	-8.3	255.465	-7.8	-	-	-
Spain	(Pta)	204.493	+0.65	408 - 577	204.700	202.854	204.823	-1.9	209.678	-10.1	208.103	-1.8	85.8
Sweden	(SKr)	11.7956	+0.0042	854 - 058	11.8480	11.7394	11.8146	-1.9	11.8571	-2.1	12.0016	-1.7	75.6
Switzerland	(SFr)	2.0542	+0.0135	529 - 554	2.0567	2.0403	2.0511	1.8	2.0436	2.1	2.0013	2.6	122.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.6
Ecu	-	1.2899	+0.0045	892 - 906	1.2908	1.2828	1.2899	0.0	1.29	0.0	1.2844	0.4	–
SDR†	-	0.918772	-	-	-	-	-	-	-	-	-	-	–
Americas													
Argentina	(Peso)	1.6017	-0.0155	013 - 021	1.6226	1.6009	-	-	-	-	-	-	–
Brazil	(R)	1.3318	-0.0123	307 - 328	1.3458	1.3276	-	-	-	-	-	-	–
Canada	(C$)	2.1691	-0.0269	682 - 699	2.2010	2.1680	2.1677	0.7	2.1667	0.4	2.166	0.1	87.2
Mexico	(New Peso)	5.4946	-0.0468	910 - 982	5.5537	5.4867	-	-	-	-	-	-	–
USA	($)	1.6036	-0.0148	032 - 039	1.6234	1.6015	1.6029	0.5	1.6024	0.3	1.5951	0.5	61.7
Pacific/Middle East/Africa													
Australia	(A$)	2.1221	-0.0265	209 - 232	2.1568	2.1105	2.1242	-1.2	2.127	-0.9	2.1409	-0.9	–
Hong Kong	(HK$)	12.3930	-0.1154	895 - 965	12.5456	12.3780	12.384	0.9	12.3797	0.4	12.3345	0.5	–
India	(Rs)	50.3836	-0.4625	645 - 026	50.9870	50.3270	-	-	-	-	-	-	–
Japan	(Y)	156.812	-0.181	697 - 926	157.710	156.690	156.352	3.5	155.337	3.8	150.152	4.2	190.1
Malaysia	(M$)	4.1035	-0.0356	018 - 052	4.1494	4.0998	-	-	-	-	-	-	–
New Zealand	(NZ$)	2.5750	-0.0301	734 - 765	2.6080	2.5677	2.5797	-2.2	2.5889	-2.2	2.6088	-1.3	–
Philippines	(Peso)	37.9240	-0.1894	355 - 124	38.0200	37.8350	-	-	-	-	-	-	–
Saudi Arabia	(SR)	6.0144	-0.0558	128 - 159	6.0886	6.0069	-	-	-	-	-	-	–
Singapore	(S$)	2.3535	-0.0175	522 - 548	2.3783	2.3517	-	-	-	-	-	-	–
S Africa (Com.)	(R)	5.6337	-0.0238	312 - 361	5.6795	5.6237	-	-	-	-	-	-	–
S Africa (Fin.)	(R)	6.4864	-0.0196	689 - 038	6.5103	6.4680	-	-	-	-	-	-	–
South Korea	(Won)	1277.79	-13.13	743 - 815	1293.85	1276.24	-	-	-	-	-	-	–
Taiwan	(T$)	41.7962	-0.3874	850 - 073	42.3123	41.7447	-	-	-	-	-	-	–
Thailand	(Bt)	40.0166	-0.314	916 - 414	40.4600	39.9890	-	-	-	-	-	-	–

†SDR rates for Nov 8. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.7650	+0.1435	625 - 675	10.7875	10.6000	10.765	0.0	10.7648	0.0	10.69	0.7	104.5
Belgium	(BFr)	31.4800	+0.389	600 - 000	31.5250	30.9800	31.4825	-0.1	31.44	0.5	31.34	0.4	106.1
Denmark	(DKr)	5.9961	+0.0786	947 - 975	6.0045	5.8982	6.0001	-0.8	6.0086	-0.8	6.0471	-0.9	105.5
Finland	(FM)	4.6940	+0.0351	890 - 990	4.7051	4.6381	4.6947	-0.2	4.6915	0.2	4.686	0.1	82.9
France	(FFr)	5.2593	+0.0733	575 - 610	5.2675	5.1700	5.2606	-0.3	5.2582	0.1	5.246	0.3	106.5
Germany	(D)	1.5300	+0.0203	295 - 304	1.5323	1.5043	1.5296	0.3	1.5275	0.6	1.5147	1.0	107.4
Greece	(Dr)	235.700	+2.95	600 - 800	236.000	232.900	235.97	-1.4	236.525	-1.4	238.775	-1.3	68.5
Ireland	(I£)	1.5764	-0.019	755 - 772	1.6004	1.5740	1.5763	0.0	1.5765	0.0	1.5634	0.8	–
Italy	(L)	1571.55	+20.25	080 - 230	1574.50	1547.00	1575.8	-3.2	1583.55	-3.1	1624.05	-3.3	74.8
Luxembourg	(LFr)	31.4800	+0.389	600 - 000	31.5250	30.9800	31.4825	-0.1	31.44	0.5	31.34	0.4	106.1
Netherlands	(Fl)	1.7143	+0.0217	138 - 148	1.7185	1.6865	1.7143	0.0	1.7124	0.5	1.7006	0.8	106.0
Norway	(NKr)	6.6843	+0.0808	830 - 855	6.6915	6.5705	6.6871	-0.5	6.6998	-0.9	6.7316	-0.7	96.6
Portugal	(Es)	156.250	+2.2	200 - 300	156.520	154.200	156.875	-4.8	158	-4.5	162.5	-4.0	95.4
Spain	(Pta)	127.525	+1.695	500 - 550	127.750	125.420	127.855	-3.1	128.52	-3.1	131.135	-2.8	80.9
Sweden	(SKr)	7.3560	+0.0702	512 - 607	7.3808	7.2510	7.3708	-2.4	7.4	-2.4	7.54	-2.5	80.7
Switzerland	(SFr)	1.2810	+0.0201	805 - 815	1.2845	1.2575	1.2798	1.2	1.2757	1.7	1.2568	1.9	108.3
UK	(£)	1.6036	-0.0148	032 - 039	1.6234	1.6015	1.6029	0.5	1.6024	0.3	1.5951	0.5	89.0
Ecu	-	1.2432	-0.0159	428 - 436	1.2635	1.2420	1.2427	0.5	1.2426	0.2	1.2422	0.1	–
SDR†	-	1.48446	-	-	-	-	-	-	-	-	-	-	–
Americas													
Argentina	(Peso)	0.9989	-0.0004	988 - 989	0.9995	0.9985	-	-	-	-	-	-	–
Brazil	(R)	0.8305	-	300 - 310	0.8310	0.8290	-	-	-	-	-	-	–
Canada	(C$)	1.3527	-0.0042	524 - 529	1.3563	1.3516	1.3524	0.2	1.3521	0.2	1.3577	-0.4	83.2
Mexico	(New Peso)	3.4265	+0.0025	250 - 280	3.4290	3.4240	3.4275	-0.4	3.4293	-0.3	3.4367	-0.3	–
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3234	-0.0042	229 - 238	1.3298	1.3167	1.3237	-0.2	1.3244	-0.3	1.3317	-0.6	86.9
Hong Kong	(HK$)	7.7285	-0.0004	280 - 290	7.7290	7.7280	7.7266	0.3	7.7261	0.1	7.734	-0.1	–
India	(Rs)	31.4200	+0.0025	150 - 250	31.4250	31.4125	31.505	-3.2	31.65	-2.9	-	-	–
Japan	(Y)	97.7900	+0.785	400 - 400	98.0200	96.8500	97.55	2.9	96.94	3.5	94.145	3.7	151.1
Malaysia	(M$)	2.5590	+0.0015	585 - 595	2.5605	2.5550	2.5498	4.3	2.5385	3.2	2.612	-2.1	–
New Zealand	(NZ$)	1.6058	-0.0039	051 - 064	1.6088	1.6003	1.6068	-0.7	1.6086	-0.7	1.6139	-0.5	–
Philippines	(Peso)	23.6500	+0.1	000 - 000	23.8000	23.4000	-	-	-	-	-	-	–
Saudi Arabia	(SR)	3.7507	-0.0001	505 - 508	3.7510	3.7505	3.752	-0.4	3.7561	-0.6	3.7747	-0.6	–
Singapore	(S$)	1.4677	+0.0027	672 - 682	1.4687	1.4648	1.4654	1.9	1.4606	1.9	1.4432	1.7	–
S Africa (Com.)	(R)	3.5133	+0.0175	125 - 140	3.5150	3.4977	3.5279	-5.0	3.5595	-5.3	3.7186	-5.8	–
S Africa (Fin.)	(R)	4.0450	+0.025	350 - 550	4.0590	4.0200	4.0675	-6.7	4.115	-6.9	4.35	-7.5	–
South Korea	(Won)	796.850	-0.8	800 - 900	797.500	796.700	799.85	-4.5	803.35	-3.3	821.85	-3.1	–
Taiwan	(T$)	26.0648	-0.0002	635 - 660	26.0700	26.0570	26.0848	-0.9	26.1248	-0.9	-	-	–
Thailand	(Bt)	24.9550	+0.035	450 - 650	24.9700	24.9200	25.0275	-3.5	25.155	-3.2	25.635	-2.7	–

†SDR rate for Nov 8. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 7. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 9	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	4⅝	5¼	5½	6⅛	7.40	4.50	–
week ago	4⅞	4⅝	5¼	5⅝	6⅛	7.40	4.50	–
France	5⅝	5⅞	5¾	5⅞	6⅜	5.00	–	6.75
week ago	5⅝	5⅞	5¾	5⅞	6⅜	5.00	–	6.75
Germany	4.93	4.95	5.15	5.25	5.60	6.00	4.50	4.85
week ago	4.93	4.95	5.15	5.25	5.60	6.00	4.50	4.85
Ireland	5⅛	5¼	5¾	6¼	7⅛	–	–	6.25
week ago	5⅛	5¼	5⅝	6¼	7¼	–	–	6.25
Italy	8¼	8¼	8¾	9⅛	9⅞	–	7.50	8.20
week ago	8¼	8¼	8¾	9¼	10¼	–	7.50	8.20
Netherlands	4.84	5.05	5.24	5.36	5.78	–	5.25	–
week ago	4.84	5.05	5.23	5.36	5.78	–	5.25	–
Switzerland	3¾	3 11/16	4	4⅛	4½	6.625	3.50	–
week ago	3⅝	3 11/16	4⅛	4⅛	4⅝	6.625	3.50	–
US	4⅝	5¼	5¾	6⅛	6⅝	–	4.00	–
week ago	4¾	5⅛	5¾	5⅞	6⅜	–	4.00	–
Japan	2¼	2¼	2⅛	2⅜	2¾	–	1.75	–
week ago	2⅛	2¼	2⅛	2⅜	2¾	–	1.75	–
■ $ LIBOR FT London								
Interbank Fixing	–	5⅝	5⅝	6⅛	6¾	–	–	–
week ago	–	5⅝	5⅝	6	6⅝	–	–	–
US Dollar CDs	–	5.16	5.50	5.86	6.49	–	–	–
week ago	–	5.16	5.37	5.74	6.41	–	–	–
SDR Linked Ds	–	3⅝	3⅝	3¾	4	–	–	–
week ago	–	3⅝	3⅝	3¾	4	–	–	–

ECU Linked Ds mid rates: 1 mth: 5¾; 3 mths: 5⅝; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 9	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5 - 4⅞	5¼ - 5⅛	5 9/16 - 5 7/16	6 3/16 - 6 1/16
Danish Krone	5½ - 5¼	5¾ - 5½	6⅛ - 5⅞	6⅝ - 6⅜	7 - 6¾	7⅝ - 7⅜
D-Mark	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5 13/16 - 5 11/16
Dutch Guilder	5 - 4⅞	5 1/16 - 4 15/16	5 3/32 - 5	5¼ - 5⅛	5⅜ - 5¼	5¾ - 5⅝
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5⅝ - 5½	5⅞ - 5¾	6⅜ - 6¼
Portuguese Esc.	8½ - 8¼	8¾ - 8½	9¼ - 9	10 - 9¾	10¼ - 10	10½ - 10¼
Spanish Peseta	7 9/16 - 7 7/16	7⅝ - 7½	7⅝ - 7½	7 15/16 - 7 13/16	8⅜ - 8¼	9⅛ - 9
Sterling	5 15/16 - 5⅞	5 13/16 - 5 11/16	5 11/16 - 5 9/16	6⅛ - 6	6 9/16 - 6 7/16	7 13/16 - 7 9/16
Swiss Franc	3 7/16 - 3 5/16	3½ - 3⅜	3 11/16 - 3 9/16	4 - 3⅞	4⅛ - 4	4½ - 4⅜
Can. Dollar	4¾ - 4 9/16	5 1/16 - 4⅞	5 5/16 - 5 3/16	5⅝ - 5½	6¼ - 6⅛	7⅛ - 7
US Dollar	4¾ - 4⅝	5⅛ - 5	5 5/16 - 5 3/16	6 1/16 - 5 15/16	6⅛ - 6	6¾ - 6⅝
Italian Lira	9 - 7½	8⅜ - 8¼	8¼ - 8⅛	8⅝ - 8½	9 1/16 - 8 15/16	10 - 9⅞
Yen	2⅜ - 2¼	2⅜ - 2¼	2⅜ - 2¼	2 13/32 - 2 11/32	2 17/32 - 2 15/32	2 27/32 - 2 25/32
Asian $Sing	2⅞ - 2¾	3 1/16 - 2 15/16	3¼ - 3⅛	3½ - 3⅜	3¾ - 3⅝	4⅛ - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.27	94.27	+0.01	94.29	94.26	13,797	51,743
Mar	93.81	93.83	+0.02	93.84	93.81	14,389	35,508
Jun	93.40	93.42	+0.03	93.44	93.40	6,581	29,609
Sep	93.04	93.06	+0.05	93.09	93.04	4,713	21,007

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	93.95	+0.04	-	-	0	2485
Mar	-	93.47	+0.07	-	-	0	1386
Jun	-	92.98	+0.06	-	-	0	354
Sep	-	92.61	+0.07	-	-	0	81

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.83	94.84	+0.03	94.84	94.82	17251	147330
Mar	94.56	94.57	+0.03	94.58	94.55	27778	161111
Jun	94.20	94.23	+0.05	94.25	94.18	24583	114329
Sep	93.80	93.85	+0.06	93.87	93.79	10793	79214

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	91.00	91.14	+0.13	91.16	91.00	6407	33497
Mar	90.38	90.51	+0.16	90.52	90.38	5051	32792
Jun	89.81	89.94	+0.16	89.95	89.81	1277	16461
Sep	89.41	89.49	+0.17	89.48	89.41	837	21412

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.93	95.93	-	95.95	95.92	1761	20011
Mar	95.67	95.66	+0.02	95.69	95.63	2562	19232
Jun	95.29	95.31	+0.07	95.33	95.29	389	4902
Sep	95.00	94.97	+0.07	95.00	94.97	177	2112

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.93	93.97	+0.03	93.98	93.93	1778	8236
Mar	93.50	93.55	+0.06	93.56	93.50	588	7297
Jun	92.98	93.06	+0.08	93.06	92.98	438	4126
Sep	92.50	92.57	+0.09	92.57	92.50	224	2380

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 9		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.05	16.71	4.859	2.015	4992	5.446	21.24	496.4	405.1	23.38	4.069	1.981	4.297	3.177	310.6	2.555
Denmark	(DKr)	52.50	10	8.772	2.551	1.058	2621	2.859	11.15	260.6	212.7	12.27	2.136	1.040	2.256	1.668	163.1	1.342
France	(FFr)	59.85	11.40	10	2.908	1.206	2988	3.259	12.71	297.1	242.5	13.99	2.435	1.186	2.572	1.902	185.9	1.530
Germany	(DM)	20.58	3.920	3.438	1	0.415	1027	1.121	4.370	102.2	83.37	4.810	0.837	0.408	0.884	0.654	63.92	0.526
Ireland	(I£)	49.64	9.454	8.293	2.412	1	2478	2.703	10.54	246.4	201.1	11.60	2.020	0.983	2.133	1.577	154.2	1.268
Italy	(L)	2.003	0.382	0.335	0.097	0.040	100.	0.109	0.425	9.944	8.115	0.468	0.082	0.040	0.086	0.064	6.222	0.051
Netherlands	(Fl)	18.36	3.498	3.068	0.892	0.370	916.7	1	3.900	91.16	74.39	4.292	0.747	0.364	0.789	0.583	57.04	0.469
Norway	(NKr)	47.09	8.969	7.868	2.288	0.949	2351	2.564	10	233.8	190.8	11.01	1.916	0.933	2.023	1.496	146.3	1.203
Portugal	(Es)	20.14	3.837	3.366	0.979	0.406	1006	1.097	4.278	100.	81.60	4.709	0.820	0.399	0.866	0.640	62.57	0.515
Spain	(Pta)	24.68	4.702	4.124	1.200	0.497	1232	1.344	5.242	122.5	100.	5.770	1.004	0.489	1.061	0.784	76.67	0.631
Sweden	(SKr)	42.78	8.148	7.147	2.079	0.862	2136	2.330	9.085	212.4	173.3	10	1.741	0.847	1.838	1.359	132.9	1.093
Switzerland	(SFr)	24.58	4.681	4.106	1.194	0.495	1227	1.338	5.219	122.0	99.56	5.745	1	0.487	1.056	0.781	76.34	0.628
UK	(£)	50.48	9.615	8.434	2.453	1.017	2520	2.749	10.72	250.6	204.5	11.80	2.054	1	2.169	1.604	156.8	1.290
Canada	(C$)	23.27	4.433	3.888	1.131	0.469	1162	1.267	4.942	115.5	94.28	5.440	0.947	0.461	1	0.740	72.29	0.595
US	($)	31.47	5.994	5.258	1.529	0.634	1571	1.714	6.683	156.2	127.5	7.357	1.281	0.623	1.352	1	97.76	0.804
Japan	(Y)	32.19	6.132	5.379	1.564	0.649	1607	1.753	6.837	159.8	130.4	7.526	1.310	0.638	1.383	1.023	100.	0.823
Ecu		39.13	7.453	6.538	1.902	0.788	1953	2.131	8.310	194.3	158.5	9.147	1.592	0.775	1.681	1.243	121.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6628	0.6542	-0.0085	0.6652	0.6534	31,738	89,847
Mar	0.6559	0.6556	-0.0084	0.6565	0.6548	209	6,048
Jun	-	0.6580	-	-	0.6580	6	1,257

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0327	1.0254	-0.0074	1.0358	1.0236	19,972	65,618
Mar	1.0415	1.0342	-0.0075	1.0440	1.0330	676	8,430
Jun	1.0447	1.0447	-0.0075	1.0447	1.0447	10	715

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7935	0.7829	-0.0107	0.7965	0.7816	20,485	41,850
Mar	0.7941	0.7863	-0.0109	0.7941	0.7850	198	2,229
Jun	0.7905	0.7905	-0.0113	0.7905	0.7905	20	195

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6192	1.6040	-0.0144	1.6214	1.6010	11,708	49,399
Mar	1.6188	1.6020	-0.0166	1.6206	1.6010	214	728
Jun	-	1.6000	-	-	1.6000	2	17

UK INTEREST RATES

LONDON MONEY RATES

Nov 9	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 5½	5⅞ - 5⅝	5 13/16 - 5 11/16	6 3/16 - 6 1/16	6⅝ - 6½	7⅝ - 7¼
Sterling CDs	-	-	5⅝ - 5 7/16	6 - 5⅞	6 7/16 - 6 5/16	7¼ - 7⅛
Treasury Bills	-	-	5⅝ - 5½	5 15/16 - 5 13/16	-	-
Bank Bills	-	-	5⅝ - 5½	5 15/16 - 5 13/16	6 7/16 - 6 5/16	-
Local authority deps.	5 9/16 - 5 5/16	5 9/16 - 5 7/16	5⅞ - 5¾	6 1/16 - 5 15/16	6 7/16 - 6 5/16	7¼ - 7⅛
Discount Market deps	6¾ - 5¾	5 11/16 - 5 9/16	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.4342pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1994. Agreed rate for period Nov 26, 1994 to Dec 25, 1994, Schemes II & III 7.23pc. Reference rate for period Oct 1, 1994 to Oct 31, 1994, Schemes IV & V 5.968pc. Finance House Base Rate 6pc from Nov 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.57	93.60	+0.05	93.62	93.55	14997	144863
Mar	92.76	92.80	+0.06	92.82	92.74	19478	74293
Jun	92.15	92.21	+0.06	92.24	92.15	6192	58902
Sep	91.73	91.80	+0.07	91.81	91.73	4299	56195

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.19	0.06	0.07	0.09	0.76	1.36
9375	0.06	0.02	0.04	0.21	0.97	1.58
9400	0.01	0.01	0.02	0.41	1.21	1.81

Est. vol. total, Calls 3949 Puts 4203. Previous day's open int., Calls 348119 Puts 211272

EMS EUROPEAN CURRENCY UNIT RATES

Nov 9	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14623	+0.00077	-2.30	5.81	-
Belgium	40.2123	39.4164	+0.0246	-1.98	5.46	14
Ireland	0.808628	0.793188	-0.001875	-1.91	5.39	13
Germany	1.94964	1.91402	+0.00002	-1.83	5.30	-
France	6.53883	6.58139	+0.0083	0.65	2.71	-5
Denmark	7.43679	7.50210	-0.00251	0.88	2.48	-6
Portugal	192.854	195.558	+0.338	1.40	1.95	-9
Spain	154.250	159.456	-0.033	3.38	0.00	-24
NON ERM MEMBERS						
Greece	264.513	294.964	-0.022	11.51	-7.30	-
Italy	1793.19	1965.94	+1.78	9.69	-5.76	-
UK	0.786749	0.780430	-0.002719	-0.80	4.21	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.550	5.31	5.53	5.92	-	0.24	0.68
1.575	2.83	3.51	4.09	0.01	0.70	1.30
1.600	0.73	1.96	2.60	0.29	1.59	2.29
1.625	0.03	0.94	1.59	2.04	3.00	3.64
1.650	-	0.37	0.87	4.43	4.93	5.40
1.675	-	0.11	0.44	6.93	7.15	7.44

Previous day's vol., Calls 3,548 Puts 4,767 . Prev. day's open int., Calls 428,058 Puts 428,487

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	93.93	93.95	+0.03	93.95	93.92	71,717	411,201
Mar	93.45	93.47	+0.03	93.49	93.43	96,263	416,047
Jun	92.96	92.99	+0.04	93.00	92.95	59,208	304,278

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.54	94.54	+0.03	94.54	94.53	714	17,583
Mar	94.04	94.03	+0.03	94.04	94.03	333	10,092
Jun	93.56	93.54	+0.01	93.56	93.53	1,036	5,929

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9475	0.10	0.12	0.07	0.12	0.01	0.03	0.25	0.30
9500	0.01	0.02	0.02	0.05	0.17	0.18	0.45	0.48
9525	0	0	0	0.02	0.41	0.41	0.68	0.70

Est. vol. total, Calls 6905 Puts 6489. Previous day's open int., Calls 218159 Puts 197257

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9575	0.20	0.14	0.09	0.02	0.23	0.53
9600	0.03	0.05	0.04	0.10	0.39	0.73
9625	0.01	0.02	0.02	0.33	0.61	0.96

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2815 Puts 1695

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk.	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

● Members of London Investment Banking Association
* In administration

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

31535	AgnEag	16¾	−¼	$16¾	16¼	
64288	AirCda	8	+⅛	$8⅛	7⅞	
141421	AlrtaE	20¼	−⅛	$20½	20	
4800	AlbNIG	14¾	+⅛	$15¼	14¾	
773783	AlcnAl	33⅝	−⅞	$34¼	33½	
692193	AmBarr	32	−¼	$33	32	
22000	AlcoCl	14⅛	−⅛	$14¼	14⅛	
149774	Avenor	25⅛	−⅛	$25½	25⅞	
1075450	BCSugA x	8¾		$8¾	8⅝	
11260	BC Tel	25¼		$25¼	25⅛	
586525	BCE	48⅜	−⅛	$48¼	48⅛	
10524	BCE Mb	42½	+½	$42⅝	42	
11465	BGR A	14⅞	+⅛	$15	14⅞	
1693	Brmsw	11⅛	+¼	$11⅛	11	
703269	BkMont x	24¾		$25⅛	24⅝	
257216	BkNovS	27		$27¼	26¾	
64780	BeauEx	217	+2	219	215	
29287	BmbdrB	21¾	+¼	$22¼	21¾	

4850	PetCan	11⅞		$12	11⅞
38200	PhilEn	7⅝	−⅛	$7¾	7⅝
402008	PDome	28⅛	−⅝	$29	28⅛
45135	PowrCp	18⅞		$18½	18¼
6425	PowrFn	29⅞	−⅛	$29⅝	29⅜
1432	Prvigo	5¾		$5⅞	5¾
100	RaynkY	15¾		$15¾	15¾
25	RekmS	17	−1	$17	17
6100	Rothmn	82		$82	82
44701	RngOil	8⅝	−⅛	$8⅝	8⅝
3081	ReedSt	27½		$27½	27½
515300	Ren En	30⅞		$31⅛	30¾
107585	Repap	8⅜	+⅛	$8½	8¼
25563	Rigel	18		$18¼	18
314500	RioAlg	25		$25¼	24¾
19864	RogCmB	19⅝		$19¾	19½
516864	RoyBkC	28¼		$28½	28¼
86290	RoyOak	5½		$5½	5⅜

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. (A) Milan closed. Prices are from Barcelona.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, November 9, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	10.7m	384	−4	Sumitomo Mtl	4.4m	340	−10
Mitsubishi Hvy	6.7m	752	−18	Hitachi	3.5m	963	−6
Hitachi Zosen	6.1m	551	−8	Kobe Steel	3.0m	310	−8
NKK	5.8m	280	−8	Nissan Motor	2.9m	789	−1
Kawasaki Steel	5.5m	432	−8	Nomura Secs	2.8m	1930	−70

INDICES

Thailand							
Bangkok SET (30/4/75)	1498.53	1495.61	1504.15	1753.73	4/1	1196.59	4/4
Turkey							
Istanbul Comp.(Jan 1986)	25951.5	25919.9	25745.7	28883.60	13/1	12888.70	24/3
WORLD							
MS Capital Int (1/1/70)$	630.0*	631.7	629.2	649.90	2/11	591.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1345.14	1324.29	1322.68	1508.19	31/1	1286.48	5/10
Euro Top-100 (26/6/90)	1191.96	1173.56	1171.34	1311.01	2/2	1136.48	5/10
JCapalOrgns (31/12/88)	(u)	335.87	336.14	395.18	5/1	290.28	21/3
Barings Emerg.(7/1/92)	182.70	182.12	181.03	191.79	26/9	141.65	21/4
Japan							
Nikkei 225 (16/5/49)	19423.88	19609.02	19818.22	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	280.83	283.92	284.41	311.71	13/6	258.22	4/1
Topix (4/1/68)	1533.28	1550.27	1555.41	1712.73	13/6	1445.97	4/1
2nd-Section (4/1/68)	2134.81	2171.36	2193.44	2542.65	6/7	1973.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1051.51	1057.96	1070.14	1314.46	5/1	928.33	4/4

~ Sat Nov 5 : Taiwan Weighted Price 6972.21; Korea Comp Ex 1125.01. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded; BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. $$ ISE/DAX after-hours index: Nov 9 - 2080.76 +34.42 Montreal. ♦ Toronto. (c) Closed. (u) Unavailable.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	1951.0	1950.0	+20.0	1971.0	1947.0	26,452	22,385
Dec	1960.5	1959.5	+20.0	1977.0	1956.0	765	26,478
Mar	1986.0	1988.5	+20.0	1986.0	1986.0	1	6,933

Open interest figures for previous day.

US INDICES

Dow Jones	Nov 8	Nov 7	Nov 4	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3830.74	3808.87	3807.52	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.54	94.63	94.54	105.61 (21/1)	94.54 (7/11)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1491.82	1492.06	1497.88	1862.29 (2/2)	1438.50 (6/10)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	179.41	178.82	178.16	227.06 (3/1)	175.85 (20/9)	256.45 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3857.65 (3830.40) Low 3795.75 (3781.62) (Theoretical♦)
Day's high 3848.55 (3819.30) Low 3806.85 (3798.10) (Actual♦)

Standard and Poors	Nov 8	Nov 7	Nov 4	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	465.65	463.07	462.28	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	553.79	550.15	549.45	583.10 (28/10)	510.05 (21/4)	583.10 (28/10/94)	3.62 (21/6/32)
Financial	43.00	42.91	42.84	48.64 (14/6)	41.38 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp	255.28	254.29	254.21	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amer Mkt Val	451.05	450.41	452.91	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	767.54	762.31	766.08	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Nov 4	Oct 28	Oct 21	Year ago
Dow Jones Ind. Div. Yield	2.78	2.70	2.72	2.80
	Nov 2	Oct 26	Oct 19	Year ago
S & P Ind. Div. yield	2.39	2.39	2.36	2.41
S & P Ind. P/E ratio	20.95	20.82	21.11	28.61

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est vol.	Open Int.
Dec	466.90	470.60	+3.65	471.80	466.80	75,727	210,194
Mar	474.50	473.80	+3.65	474.60	473.65	4,005	20,037
Jun	479.00	478.00	-	479.00	478.00	60	3,644

Open interest figures are for previous day

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Telecom Co	4,721,200	52⅞	−⅛
Gen Motors	3,930,700	39	+⅛
Telefonos	2,950,400	57⅞	−⅛
Motorola	2,885,200	57½	+1
RJR Nabisco	2,736,200	6⅞	+⅛
UNUM Corp	2,520,500	40⅛	−6⅞
Compaq	2,432,900	39⅛	−⅛
A T & T	2,310,700	54⅛	+⅛
Intl Game	2,175,200	20½	+1
Sara Lee	2,147,100	25⅛	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Nov 8	Nov 7	Nov 4
New York SE	289.057	255.021	280.426
Amer	16.853	14.961	18.703
NASDAQ	269.086	223.542	255.598
NYSE			
Issues Traded	2,897	2,902	2,885
Rises	1,107	824	671
Falls	1,038	1,379	1,490
Unchanged	752	699	724
New Highs	27	18	20
New Lows	292	270	180

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close November 9

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17¾	12⅛	AAR	0.48	3.8	20	110	12½	12⅜	12½	
18	12⅝	A L Labs A	0.18	1.0	41	905	17¾	17⅜	17¾	+1⅝
79¾	57⅞	AMP x	1.68	2.2	28	1049	75	74¼	74¼	
72¾	48⅛	AMR			88	2761	52⅛	50¾	51	-⅜
5	3⅜	ARX			13	649	4	3⅞	3⅞	
56⅛	38⅝	ASA	2.00	4.2	31	589	48½	48	48⅛	+⅛
32	25⅞	AbbtL	0.76	2.4	19	15021	u32⅛	31⅝	32⅛	+1
15¾	11¾	Abitibi Pr	0.50	3.9	11	808	13	12¾	12¾	-⅛
23⅝	17¾	ABM Ind	0.52	2.5		6	20⅝	20½	20⅝	+⅛
18	11⅛	Acptocain			28	384	16¼	15⅛	16⅜	-¼
31	22	ACE Ltd	0.44	1.9	29	2293	23⅞	23¼	23½	+¼
12½	9⅛	ACM Gvt In x	1.09	11.8		553	9⅜	d9⅛	9¼	+⅛
10⅛	6⅞	ACM GvOpp x	0.80	11.4		74	7⅛	d6⅞	7	
10⅝	6⅞	ACM Gvt Sp x	0.98	14.0		360	7⅛	d6⅞	6⅞	-⅛
12	8	ACM Gvt Se x	1.09	13.7		794	8⅛	d7⅞	8	
11¾	7⅜	ACM Man x	1.08	14.2		293	7⅞	7⅝	7⅝	-⅛
9¼	8	ACM Managd x	0.72	8.9		61	8⅛	8⅛	8⅛	
15½	8¾	AcmeClv x	0.44	3.8	14	48	12¼	11⅝	11⅝	-¾
13⅝	6½	Acme Elect			11	60	11⅛	10⅞	11	-⅛
28¾	23	Acordia	0.60	2.2	14	7	27⅞	27⅝	27¾	
13¾	5¾	Actava	0.36	3.6	2	243	10⅛	10	10	
18⅞	11¼	Acuson			134	1021	17⅞	17¼	17½	-¼
18⅞	16½	Adams Expr	0.48	2.8	0	121	17	16⅞	16⅞	
64	46½	Ad Micro	3.00	5.4		262	56½	55⅝	55¾	
31¾	16¾	AdvMic	3.00	11.6	11	4631	26¼	25¾	25⅞	+⅛
6⅞	5	Advest Grp	0.16	3.0	8	50	5⅜	5¼	5⅜	+¼
20	15	Advo Inc	0.10	0.6	120	111	18¾	18⅛	18⅛	+⅛
64	49⅜	Aegon ADR	1.47	2.4	13	16	62½	62⅛	62⅜	+⅛
65¾	44	Aetnal	2.76	5.9	6	1988	47⅞	46⅞	47	
36⅛	25¼	Aflac	0.46	1.3	14	948	35⅛	34¼	34⅞	
22¾	16⅜	Ahmanson x	0.88	4.8	13	4420	18⅝	18⅛	18¼	
4	1⅜	Aileen Inc			1	49	1⅞	1¾	1⅞	
50⅜	38⅞	AirPrC	0.98	2.1	26	1081	47¾	47¼	47¼	+⅛
39⅞	18	Airbne Frt x	0.30	1.5	11	444	19½	19¼	19⅜	+⅛
[illegible]										

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[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

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- H -

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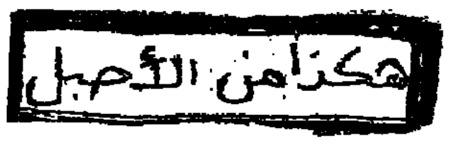

4 pm close November 9

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close

Continued from previous page

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
49⅞	31¼	Sallie Mae	1.40	4.3	6	14302	33¾	32⅝	32⅞	+1
13⅞	11⅞	Salomon Br	0.36	2.9		544	12⅛	12¼	12⅛	
52½	37	Salomn	0.64	1.7	5	4662	39⅛	37⅞	37⅞	-¼
25	17½	SnDgGE	1.52	7.8	10	337	19¾	19½	19½	-⅛
10	7½	SmtaFeBIs	0.16	1.7	30	1247	9¼	9⅛	9¼	+⅛
17⅞	13½	SFeGo				4195	14⅛	14	14	-⅛
32⅝	31⅞	SFePPipe	2.80	8.6		234	u32⅝	32⅛	32½	-½
26¼	12⅛	SnFeP x	0.10	0.6		852562	16⅛	15½	16⅛	+1⅜
26	19⅞	SaraLee	0.68	2.8	16	5864	25⅛	24⅝	24⅞	-⅞
50⅛	42	Scana Corp	2.82	6.7	11	367	42¾	42⅛	42⅛	-¼
20½	12½	Sceptr	1.00	7.3	9	7990	14¼	13⅝	13⅝	-¼
44⅝	31¾	SchererRP			32	199	43	42½	42¾	-⅛
72¾	54½	SchPl x	2.04	2.8	17	7765	073	72	72½	+1½
63	50¾	Schlmb	1.20	2.1	23	2649	56⅝	56	56⅛	-¼
37	23¾	Schwab(C) x	0.28	0.8	16	3702	34⅝	33½	33¾	+⅛
10⅞	6⅛	Schwitzer			27	70	9⅜	9⅜	9⅜	+¼
22⅝	12⅞	SciAtl	0.06	0.3	41	2166	21	20½	20⅞	+⅛
16⅞	13	Scotman	0.10	0.6	15	21	16¾	16⅝	16¾	+¼
67½	37¼	ScottP	0.80	1.2	20	3557	u67⅞	66⅜	66⅞	-⅞
28⅝	18⅝	ScudderNAsF	0.21	0.9		32	24	23½	23½	-⅜
12⅝	9⅛	ScudderNEuF	0.16	1.7		838	9⅝	9⅜	9½	
18¼	13½	SeaCnt x	0.70	4.9	7	2100	14¼	14¼	14¼	
16½	14¼	SeaCT 4625	1.46	10.1		2	14½	14½	14½	+⅛
32⅝	26⅛	Seagrm	0.60	2.1	37	4547	29⅛	28⅞	29	
29¼	21⅞	Seagull En			31	568	24⅜	24⅛	24⅛	-⅛
38¼	26⅝	Sealed Air			26	347	35	34½	34½	-½
55⅛	40⅛	SearsR	1.60	3.3	7	5419	49⅜	48½	48⅞	
13⅞	10	Seligm Sel	0.84	8.2		153	10¼	d10	10¼	
39¼	26	Sensormat x	0.22	0.6	37	1620	36½	35¾	36⅛	
39⅛	23½	SequaA	0.60	2.3	6	42	26	25¾	26	
18⅞	10	Talley Pf	1.00	6.5						

NASDAQ NATIONAL MARKET

4 pm close November 9

AMEX COMPOSITE PRICES

4 pm close November 9

AMERICA

Dow turns lower as investors reassess poll

Wall Street

US share prices fluctuated wildly yesterday morning as markets struggled to gauge the impact of broad Republican victories in Tuesday's elections, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average had fallen 11.44 to 3,819.30. The more broadly traded Standard & Poor's 500 fell 1.41 at 464.24, while the American Stock Exchange composite dropped 0.3 at 451.02 and the Nasdaq composite fell 1.01 to 766.53. Trading volume on the NYSE was 214m shares.

In the first 10 minutes of trading the Dow surged to a gain of 38.02 points on optimism about Republican control of both houses of the US legislature, but later in the morning those gains were wiped out as confidence in Republican rule turned to uncertainty. At one point late in the morning, the Dow was down by more than 20 points before a making slight recovery. Program-trading and investor profit-taking sped the declines, which began very early in the morning.

In addition to uncertainty about the government, investors were waiting to see the extent of interest rate increases expected to come out of next Tuesday's meeting of the Federal Reserve's open market committee meeting.

Healthcare stocks got an initial boost from the election news as traders reacted optimistically to the probable death of broad health reforms proposed by the Democratic President, Mr Bill Clinton, but they also fell with the rest of the market. Shares of drugmakers were up slightly by midday after much larger initial gains: Merck, a component of the Dow, gained 4¾ at $36½, Pfizer was up $1¼ at $75⅝, Bristol-Meyers Squibb by $⅛ at $58½ and Eli Lilly by $⅝ at $63⅞.

Defence contractors also got an initial boost from the markets as traders ventured that Republican gains might stem decreases in defence spending. After strong gains, General Electric fell $¼ to $48⅞ and Raytheon was unchanged at $63½. Northrop Grumman gained $⅞ at $44⅞ and Lockheed rose $½ at $72⅞. The hospital companies, Columbia/HCA Healthcare and National Medical Enterprises, also advanced and retreated with the markets. At midday, Columbia was up $⅛ at $40⅞ and NME rose $⅛ at $14½.

Shares of Long Island Lighting, a New York City-area provider of gas and electrical services, fell $1½ to $16¼ with the defeat of the incumbent state governor, Mr Mario Cuomo, who had proposed state acquisition of the utility.

In trading unrelated to the elections the railroad, Santa Fe Pacific, rose sharply by $1⅞ to $16 after Union Pacific sweetened its offer to Santa Fe shareholders. Union Pacific shares fell $⅞ to $48⅞; if the takeover is overturned by regulators, it could be stuck with Santa Fe shares worth far less than the proposed purchase price.

SciMed Life Systems shares rose $3½ at $52 on news that the medical device company would be bought by Boston Scientific for $865m in stock.

Canada

Toronto relinquished earlier gains and traded mixed at midday as rate fears reasserted their dominance over post-US election euphoria.

The TSE 300 composite index was 4.52 higher at 4,213.61 by noon in volume of 21.71m shares. Dealers noted that the fundamentals for the market had not changed and still pointed to a rocky road ahead.

Of the market's 14 sub-indices, 10 held on to gains at noon, with weakness in the base metals group dampening rises in transportation and real estate stocks.

The metals sector lost 0.5 per cent as Inco fell C$⅜ to C$38 and Metall Mining dropped C$⅜ to C$12¼ in spite of unveiling a third quarter profit of 7 cents a share, after the 9 cents a share loss in the same 1993 period.

Actively traded issues inclueded Stelco class A, up C$⅛ at C$8⅞, and Morgan Hydrocarbons, down 35 cents to C$4.50.

Mexico

Mexican stocks opened higher, boosted by cuts in domestic interest rates, but the fall on Wall Street by midsession trimmed the gains. The IPC index was up 5.28 at 2,617.57 at midday, after a high of 2,632.

The 28-day Cetes, or treasury bills, were trimmed by 48 basis points to 13.49 per cent at the central bank's weekly auction earlier in the day.

Turnover was moderate at 94.1m pesos, in volume of 8.1m shares.

Brazil

São Paulo rose 2.1 per cent in listless midday trade as prices remained strong after Telebras, the state telecom, posted positive results for the first nine months. The Bovespa index was up 990 at 48,811 at 1300 local time in turnover of R$169.4m ($203.9m). Telebras preferred put on 3.7 per cent at R$41.50 after the group posted a better than expected R$710.8m net profit in the January-September period.

SOUTH AFRICA

Industrials held on to early gains as the sector was supported by firmer world markets, while golds drifted back as the bullion price fell.

The overall index put on 43 at 5,849 and industrials 33 at 6,775. The golds index was unchanged at 2,181. De Beers, which had risen in US trading, firmed R2 to R99; Anglos gained R3.75 at R243.75.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Nov. 4 1994	Dollar terms: % Change over week	Dollar terms: % Change on Dec '93	Local currency terms: Nov. 4 1994	Local currency terms: % Change over week	Local currency terms: % Change on Dec '93
Latin America	(208)	731.05	-1.1	+12.4			
Argentina	(25)	906.48	-1.1	-8.8	556,126.04	-1.2	-8.8
Brazil	(57)	412.22	-3.2	+77.1	1,301,833,563	-3.6	+1,181.1
Chile	(25)	813.43	-2.6	+47.4	1,342.87	-2.3	+40.9
Colombia[1]	(11)	833.86	+1.1	+29.3	1,227.27	+0.2	+32.4
Mexico	(67)	923.53	+0.6	-8.2	1,365.67	+0.4	+1.2
Peru[2]	(11)	191.11	-1.3	+58.0	258.91	-1.5	+62.8
Venezuela[3]	(12)	521.09	-5.2	-12.0	2,034.88	-5.2	+43.2
Asia	(557)	271.79	-1.7	-6.6			
China[4]	(18)	102.55	+1.1	-31.3	110.46	+1.0	-32.7
South Korea[5]	(156)	153.01	+2.9	+29.5	160.29	+2.9	+27.7
Philippines	(19)	330.63	+2.4	-2.9	392.92	+1.1	-11.5
Taiwan, China[6]	(90)	146.04	-3.7	+8.0	142.79	-3.7	+6.7
India[7]	(76)	133.47	+0.8	+14.6	148.91	+1.0	+15.6
Indonesia[8]	(37)	111.26	+1.2	-10.8	131.25	+1.2	-7.8
Malaysia	(104)	293.17	-3.7	-13.5	277.34	-3.3	-17.7
Pakistan[9]	(15)	389.53	-5.5	+0.4	541.65	-5.5	+2.5
Sri Lanka[10]	(5)	195.52	+1.9	+10.3	207.96	+2.1	+8.9
Thailand	(55)	447.91	+0.8	-6.2	443.82	+1.0	-8.2
Euro/Mid East	(125)	118.85	+1.9	-29.8			
Greece	(25)	220.96	+0.2	-3.0	351.58	+1.4	-8.6
Hungary[11]	(5)	179.40	-1.6	+7.7	233.70	+0.1	+15.8
Jordan	(13)	152.64	-1.0	-7.8	222.36	-0.5	-7.1
Poland[12]	(12)	523.91	+1.6	-35.9	767.81	+2.5	-30.5
Portugal	(25)	128.15	-0.6	+10.9	135.00	+0.4	-2.3
Turkey[13]	(40)	119.12	+4.3	-44.0	2,031.82	+5.0	+39.7
Zimbabwe[14]	(5)	265.80	+0.7	+31.5	326.88	+0.9	+53.0
Composite	(890)	356.16	-1.2	+0.1			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

Among the next wave of emerging markets – sometimes described as "frontier markets" since they embrace the type of hazards often experienced when entering a new territory – Russia stands foremost, writes John Pitt.

The recent volatility in the value of the rouble underlined the hazards of investment at the moment; although to some far-sighted investors the mayhem in the currency markets was just a passing worry. Indeed, there are some fund managers who believe that within 20 years the country's capital markets could equal those of the US.

Merrill Lynch, the US investment bank, observing that blue chips lost some 25 per cent of their value during the rouble crisis of mid-October, suggests that primary market offerings, that is cash auctions, currently present a better opportunity for investors. The drawback to this method, says Merrill, is that companies offered in cash auctions provide little or no information, while the auction itself allows very little time for making decisions, "a fact that provides advantage to locals and insiders in a process that is aimed to attract large foreign investments".

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY NOVEMBER 8 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY NOVEMBER 7 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	169.11	-0.7	154.92	103.70	132.74	149.32	-0.8	3.73	170.29	156.51	104.75	134.32	150.23	189.15	149.38	155.83
Austria (16)	183.45	-0.1	168.06	112.49	143.99	143.88	-0.7	1.12	183.64	168.78	112.96	144.85	144.86	198.89	167.46	175.21
Belgium (35)	169.55	0.3	155.32	103.96	133.07	130.00	0.0	4.25	169.07	155.39	104.00	133.36	130.05	177.04	150.60	151.75
Brazil (28)	182.54	0.6	167.22	111.93	143.27	279.05	0.0	0.74	181.16	166.49	111.43	142.89	279.10	–	–	–
Canada (103)	132.90	0.3	121.75	81.49	104.31	130.58	0.4	2.61	132.51	121.79	81.51	104.52	130.03	145.31	120.54	134.26
Denmark (33)	246.60	0.1	225.91	151.21	193.55	198.47	-0.4	1.50	246.41	226.48	151.57	194.36	199.24	276.79	230.27	240.88
Finland (24)	191.34	0.2	175.28	117.33	150.18	187.08	-0.5	0.75	190.92	175.47	117.44	150.60	187.95	201.41	116.85	122.95
France (101)	171.68	0.9	157.27	105.27	134.75	139.66	0.7	3.11	170.07	156.31	104.61	134.15	138.67	185.37	159.34	162.29
Germany (58)	144.05	1.0	131.96	88.33	113.06	113.06	0.5	1.83	142.66	131.12	87.75	112.53	112.53	150.40	128.37	130.32
Hong Kong (56)	382.16	-0.2	350.10	234.34	299.96	379.21	-0.2	3.17	382.87	351.89	235.51	302.01	379.91	508.56	341.29	368.39
Ireland (14)	209.32	0.7	191.76	128.36	164.29	184.87	0.4	3.42	207.77	190.96	127.80	163.89	184.06	216.60	172.05	174.80
Italy (59)	76.91	0.0	70.46	47.16	60.37	89.11	-0.3	1.76	76.93	70.70	47.32	60.68	89.42	97.78	57.88	64.68
Japan (468)	160.34	0.1	146.89	98.32	125.85	98.32	-0.2	0.78	160.19	147.23	98.54	126.36	98.54	170.10	124.54	147.94
Malaysia (97)	516.46	-0.3	473.13	316.69	405.36	508.70	-0.5	1.65	517.99	476.07	318.63	408.58	511.17	621.63	430.71	455.56
Mexico (18)	2151.69	1.0	1971.14	1319.36	1688.80	8055.13	0.9	1.27	2131.32	1958.79	1310.99	1681.12	7984.69	2647.06	1696.28	1794.32
Netherland (19)	218.53	0.3	200.19	134.00	171.52	168.82	-0.1	3.42	217.82	200.19	133.98	171.81	169.06	223.30	187.01	194.08
New Zealand (14)	76.40	-1.0	69.99	46.85	59.97	65.30	-1.2	3.72	77.20	70.95	47.49	60.90	66.09	77.59	59.22	61.75
Norway (23)	198.32	0.2	181.68	121.61	155.66	177.49	-0.2	1.66	197.84	181.82	121.68	156.05	177.80	211.74	165.52	177.40
Singapore (44)	393.60	0.0	360.57	241.35	308.93	265.72	-0.1	1.59	393.73	361.87	242.19	310.57	266.12	401.38	294.66	306.35
South Africa (59)	339.14	-0.1	310.69	207.96	266.18	297.99	-0.6	2.15	339.35	311.88	208.74	267.67	300.40	342.00	202.72	202.72
Spain (38)	140.71	0.2	128.90	86.28	110.44	134.13	-0.2	4.35	140.44	129.07	86.39	110.78	134.44	155.79	128.66	136.45
Sweden (36)	233.12	2.1	213.56	142.94	182.97	251.43	1.3	1.59	228.30	209.82	140.43	180.08	248.20	242.66	175.83	198.02
Switzerland (47)	165.79	0.5	151.88	101.66	130.13	129.60	-0.2	1.67	164.98	151.63	101.48	130.13	129.90	176.56	145.61	145.61
Thailand (46)	175.26	-0.9	160.55	107.47	137.56	169.51	-0.9	1.97	176.91	162.59	108.82	139.54	171.11	–	–	–
United Kingdom (204)	201.60	0.3	184.69	123.62	158.24	184.69	-0.1	4.14	201.07	184.79	123.68	158.60	184.79	214.96	161.11	184.90
USA (515)	190.30	0.6	174.33	116.69	149.36	190.30	0.6	2.67	189.27	173.94	116.42	149.29	189.27	196.04	178.95	167.29
Americas (664)	178.20	0.6	163.25	109.27	139.86	148.04	0.5	2.60	177.23	162.88	109.01	139.79	147.25	–	–	–
Europe (707)	173.18	0.5	158.65	106.19	135.93	149.57	0.1	3.12	172.29	158.34	105.98	135.90	149.41	178.56	154.79	156.96
Nordic (116)	224.61	1.2	205.76	137.73	176.29	206.19	0.5	1.44	221.93	202.96	136.51	175.05	205.12	233.91	173.19	188.98
Pacific Basin (793)	169.37	0.0	155.16	103.86	132.94	108.84	-0.3	1.11	169.35	155.64	104.17	133.58	109.11	176.86	134.79	155.95
Euro-Pacific (1500)	170.86	0.2	156.52	104.77	134.10	125.09	-0.1	1.97	170.47	156.67	104.86	134.46	126.21	175.14	143.88	156.26
North America (618)	186.74	0.5	171.07	114.50	146.56	186.20	0.5	2.86	185.74	170.71	114.25	146.51	185.19	192.73	175.67	184.00
Europe Ex. UK (503)	154.27	0.7	141.33	94.60	121.09	128.96	0.2	2.62	153.25	140.84	94.26	120.88	128.69	158.12	135.94	138.81
Pacific Ex. Japan (325)	257.54	-0.4	235.93	157.92	202.14	227.46	-0.4	2.81	258.54	237.62	159.03	203.93	228.42	298.21	232.54	233.36
World Ex. US (1708)	172.79	0.2	158.29	105.95	135.62	128.87	-0.1	1.97	172.38	158.43	106.04	135.97	128.99	176.65	145.58	157.05
World Ex. UK (2019)	175.24	0.3	160.54	107.46	137.54	144.01	0.1	2.09	174.82	160.49	107.41	137.74	143.79	178.59	155.96	184.33
World Ex. Japan (1755)	188.74	0.5	172.90	115.73	148.13	176.87	0.3	2.40	187.92	172.72	115.57	148.20	176.36	195.20	176.34	177.82
The World Index (2223)	177.57	0.3	162.67	108.88	139.37	147.71	0.1	2.29	176.96	162.63	108.85	139.58	147.52	180.80	158.85	186.15

Latest prices unavailable for this edition. Please note Barcelona market open 9/11/94. Madrid market closed 9/11/94.

EUROPE

Bourses higher on US election results

Bourses were able to reflect the Republican election victory earlier than their US counterparts, and doubled or trebled the level of Wall Street's anticipatory gains overnight, *writes Our Markets Staff.*

When the Dow put on a percentage point in early trading, said Mr James Lister-Cheese of Independent Strategy, it looked as if the US were following Europe, rather than the other way around. However, bourses seemed willing to follow Wall Street down when it lost some of its enthusiasm.

Independent Strategy said that the Republican victory, and its potential impact on external trade decisions and the progress of internal budget reductions in the US, was likely to cause volatility in financial markets. "On a one-year view, we think that 10-year US Treasury yields will rise to 8.5 per cent from today's level of 8.0 per cent."

FRANKFURT came back from a session's gain of 43.03 or 2.1 per cent at 2,096.47 to 2,090.78 at the end of Ibis trading. Retailers stayed weak on worries about consumption trends, said Mr Jens Wiecking at Merck Finck in Düsseldorf, but otherwise the market rose across the board in the morning; turnover nearly doubled, from DM4.2bn to DM8bn.

The afternoon saw relative weakness in a number of big blue chips. Siemens and Volkswagen, up DM4 to DM625.40 and DM5 to DM447.50, were both well off the top. Analysts said that a Siemens results conference had been disappointing in content, and VW's global car sales in September dropped by more than 6 per cent.

In chemicals, BASF rose only DM1.10 to DM317 after talk of a takeover bid for Boots' pharmaceuticals division, diluting hopes for BASF's gas business; and Viag, the utility based conglomerate, up just DM1 to DM471, extended its role as a Dax underperformer in September and October.

ZURICH was cheered by hopes of a stronger dollar, and the SMI index rose 46.5 or 1.8 per cent to 2,590.4 as analysts noted that the weakness of the US currency had depressed the third-quarter results of the big exporters by around 8 per cent.

Pharmaceuticals were lifted by expectations that a Republican majority in Congress would slow President Bill Clinton's health reforms. Roche certificates picked up SFr155 to SFr5,945 and Ciba registered were SFr21 ahead at SFr749.

Insurers firmed as they sought to play down their exposure to the storm damage in northwest Italy. Zurich Insurance registered were SFr26 higher at SFr1,241.

UBS stayed volatile, with the bank said to be buying the bearers and Mr Martin Ebner's BK Vision picking up the registered stock ahead of the extraordinary shareholders' meeting on November 22. The bearers rose SFr21 to SFr1,204 and the registered were SFr14 higher at SFr286.

PARIS tailed off during the afternoon session, the CAC-40 index ending with a gain of 22.32 or 1.2 per cent at 1,943.86, after a high of 1,961.

Turnover improved to FFr4.5bn. Alcatel lost FFr15.60 at FFr432.00 after its German unit reported that it was to lay off a larger than expected number of employees during 1994 and 1995. Alcatel-SEL, of Germany, also said that it saw no return to profitability before 1996.

Lafarge Coppée, the building materials group, outperformed the market with an advance of FFr15 to FFr406 after reporting an 8.5 per cent increase in nine-month sales.

AMSTERDAM was driven higher by overall strength on the Continent. The AEX index added 3.85 at 411.54.

Royal Dutch, expected to announce a modest rise in third-quarter figures today, with the chemicals side likely to show the best performance, firmed Fl 1.70 to Fl 191.30.

MILAN was carried along by the upbeat mood elsewhere, although domestic and budgetary worries were never far from the surface. The Comit index gained 10.74 or 1.7 per cent at 630.89.

Blue chips were broadly higher, with Fiat up L141 at L6,245, Montedison L29 at L1,254 and Telecom Italia L126 at L4,212. Among the banks, Credito Italiano picked up L82 to L1,628, after the end of bourse trading of its rights issue on Tuesday, and as its offer for Credito Romagnolo remained in play. Romagnolo rose L183 to L16,669. BCI appreciated L75 to L3,585.

Insurers were mixed as the industry continued to assess the storm damage in the northwest of the country. Generali rose L431 to L37,881 but Ina was just L2 higher at L2,110.

STOCKHOLM hosted better than expected nine-month figures from Electrolux. The Affärsvärlden index rose 15.2 to 1,461.0, although worries persisted over the outcome of Sunday's EU referendum.

Electrolux B added SKr9.50 at SKr365, while the drug sub-index advanced 1.9 per cent ahead of reports from Pharmacia today, and Astra tomorrow. Astra "A" rose SKr5 to SKr192.50 and Pharmacia "A" climbed SKr2.50 to SKr135.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Nov 9 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1339.46	1339.96	1341.11	1344.03	1346.57	1345.92	1347.30	1345.14
FT-SE Eurotrack 200	1401.62	1400.75	1401.54	1406.72	1411.34	1409.74	1410.53	1408.36

	Nov 8	Nov 7	Nov 4	Nov 3	Nov 2
FT-SE Eurotrack 100	1324.29	1322.66	1333.72	1325.53	1316.01
FT-SE Eurotrack 200	1384.92	1386.99	1393.55	1393.66	1382.67

Base 1000 (26/10/90). High day: 100 - 1348.03; 200 - 1411.85 Low/day: 100 - 1338.66 200 - 1398.90 † Partial

ASIA PACIFIC

Nikkei falls further to a seven-month low

Tokyo

The Nikkei 225 average finished at a seven-month low after profit-taking pushed share prices down for the third consecutive day, *writes Emiko Terazono in Tokyo.*

The index was off 185.14 at 19,423.88, its lowest since April 4, after a day's high of 19,654.33 and low of 19,331.37. Arbitrage buying lifted equities initially, but active sales in the afternoon by foreign and individual investors depressed prices.

Profit-taking by institutional investors looking to cover their foreign exchange losses on overseas bond holdings, due to the recent appreciation of the yen against the dollar, also weighed on the index. Some shares regained ground on small-lot bargain hunting towards the end of the session.

Investor confidence was dented, too, by the decline in privatisation issues. Individual investors and dealers, fearing a further fall in the market, took profits in early trading. Traders expect the next support point of the Nikkei 225 to be around the 19,111.92 posted on March 31, the final day of the last business year.

Volume increased to 299m shares from 210m. The Topix index of all first section stocks fell 16.99 to 1,533.28, while the Nikkei 300 shed 3.09 to 280.83. Declines led rises by 867 to 124, with 170 issues unchanged. But in London the ISE/Nikkei 50 index gained 2.93 at 1,262.23.

Japan Tobacco fell Y16,000 to Y994,000. Investors had been nervous over the stock dropping below Y1m, regarded as a psychological support level. Nippon Telegraph and Telephone dipped Y29,000 to Y863,000 on active foreign selling, while East Japan Railways shed Y3,000 to Y475,000.

Banks, which depend on unrealised gains on stockholdings to support their capital ratios, fell. Industrial Bank of Japan receded Y60 to Y2,880.

Large-capital stocks were sold in busy trading. Nippon Steel, the day's most active issue, lost Y4 at Y384 and Mitsubishi Heavy Industries declined Y18 to Y752.

In Osaka, the OSE average relinquished 218.81 at 21,465.36 in volume of 44.3m shares.

Roundup

Morgan Stanley Asia added its voice to those reducing the weighting of Hong Kong equities. It lowered its allocation to a still overweight 35 per cent from 40 per cent in its Asia-Pacific model portfolio. The move came less than a week after HG Asia (Singapore) also recommended investors to trim allocations in Hong Kong. Morgan Stanley upgraded Malaysia, Thailand and Singapore but cut Australia's weighting to neutral.

HONG KONG finished down but off lows on late futures-led demand after dipping on news of the Morgan Stanley move. The Hang Seng index lost 10.61 at 9,405.48 after touching 9,356.92. Turnover stayed thin, at a preliminary HK$2.1bn.

TAIPEI rose sharply on late buying in the electronics and financial sectors, although brokers said they expected prices to consolidate ahead of local government elections on December 3. The weighted index put on 101.79 or 1.6 per cent at 6,449.99. Turnover came to T$41.15bn.

SEOUL edged down in volatile trading as selling of financial shares and mid-priced blue chips alternated with buying of primary blue chips. The composite index closed 0.36 off at 1,138.39, after backing down from an all-time intraday high of 1,145.01.

Most preferred stocks were sharply higher after the Securities Supervisory Board told listed companies and securities houses to buy back 3 per cent of their own companies' preferred stocks by the first quarter of 1995.

SINGAPORE rebounded as institutional funds returned to buy blue chip banks and properties. The Straits Times Industrial index rose 17.39 to 2,344.40 as Salomon Brothers commented that Singapore's residential property market appeared due for a downward correction but the commercial market was on track for a cyclical upturn.

BOMBAY's 30-share index ended 90.21 or 2.1 per cent lower at 4,205.68 on hectic selling by domestic and foreign mutual funds. Brokers noted a lack of liquidity as mutual funds, committed to investing in the partial privatisation of seven state-owned companies, held back from making fresh investments.

KUALA LUMPUR continued to be weighed down by forced selling by investors unable to meet margin calls. The composite index declined 6.45 to 1,051.51.

SYDNEY was pulled higher by strength in golds. The All Ordinaries index added 15.3 at 1,982.6 and turnover was A$375.3m. Resources issue CRA rose 28 cents to A$18.36.

WELLINGTON saw a decline in Carter Holt Harvey pressure prices overall. The NZSE-40 Capital index fell 10.46 to 2,075.17 in NZ$31.8m turnover.

CHH dropped 14 cents to NZ$3.86 as a result of worries about its recently announced purchase of Bowater's Australian operations.